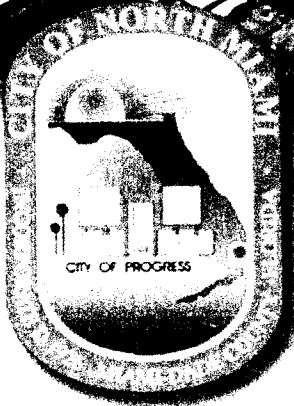


City of North Miami
COMPREHENSIVE
ANNUAL FINANCIAL
R E P O R T



FISCAL YEAR ENDED
SEPTEMBER 30, 2002

CITY OF NORTH MIAMI, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2002

PREPARED BY:
FINANCE DEPARTMENT

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SPECIAL ACKNOWLEDGEMENT
GRAPHICS DESIGNER
GABRIEL COLON

The City of North Miami

Mission Statement

The Mission of the City of North Miami

*is to enhance the quality of life,
environment, and safety for citizens,
businesses, customers, visitors and
employees in an atmosphere of
courtesy, integrity, quality and
fiscally responsible service.*



CITY OF NORTH MIAMI, FLORIDA

TABLE OF CONTENTS

	<u>PAGE</u>
PART I – INTRODUCTORY SECTION	
Letter of Transmittal	i-vi
List of Principal Officials	vii
Organizational Chart	viii
Certificate of Achievement for Excellence in Financial Reporting	ix
PART II – FINANCIAL SECTION	
Report of Independent Certified Public Accountants	1-2
Management's Discussion and Analysis	3-19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets - Proprietary Funds	25-26
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Statement of Fiduciary Net Assets - Fiduciary Funds	30
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	31
Notes to Basic Financial Statements	32-67
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	68-69
Notes to Budgetary Comparison Schedule	70
Schedule of Funding Progress- Clair T. Singerman Employees Retirement System	71
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet-Nonmajor Governmental Funds	72-73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	74-75

CITY OF NORTH MIAMI, FLORIDA

TABLE OF CONTENTS

(Continued)

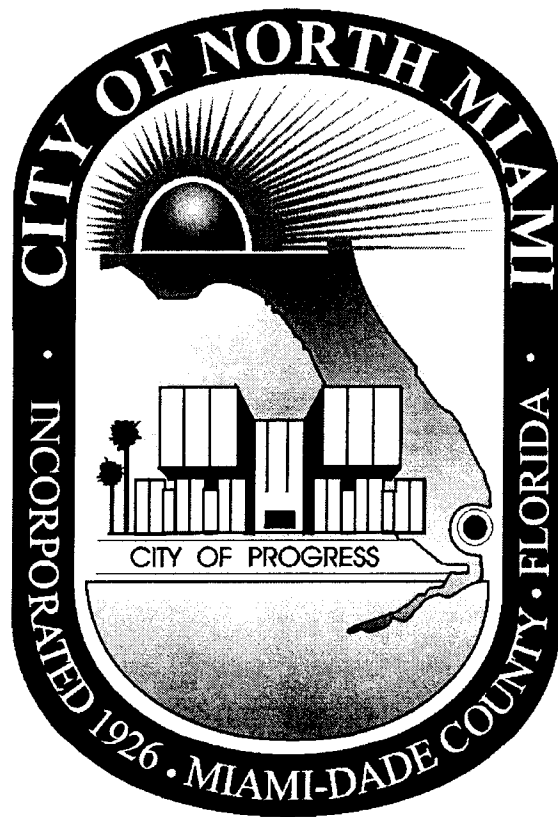
	<u>PAGE</u>
PART II – FINANCIAL SECTION (Continued)	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis – Nonmajor Governmental Funds	76-80
Internal Service Funds:	
Combining Statement of Net Assets	81
Combining Statement of Revenues, Expenses and Changes in Net Assets	82
Combining Statement of Cash Flows	83-84
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets	85
Combining Statement of Changes in Fiduciary Net Assets	86
PART III – STATISTICAL SECTION	
	<u>TABLE</u>
Government-wide Information:	
Government-wide Expenses by Function	1 87
Government-wide Revenues	2 88
Fund Information:	
General Governmental Expenditures by Function	3 89
General Governmental Revenues by Source	4 90
Property Tax Levies and Collections	5 91
Assessed Value of All Taxable Property	6 92
Property Tax Rates - Direct and Overlapping Governments	7 93
Principal Taxpayers	8 94
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	9 95
Ratio of Annual Debt Service Expenditures for Bonded Debt to Total General Governmental Expenditures	10 96
Schedule of Direct and Overlapping Debt – General Obligation Bonds	11 97
Schedule of Revenue Bond Coverage – Water and Sewer Enterprise Fund	12 98
Demographic Statistics	13 99
Property Values, Construction and Bank Deposits	14 100
Miscellaneous Statistics	15 101
Fiscal Year Budgeted and Historical Non-Ad Valorem Funds	16 102
Debt Service Requirements and Coverage	17 103
Debt Service Payable from Portions of the Non-Ad Valorem Funds	18 104

CITY OF NORTH MIAMI, FLORIDA

TABLE OF CONTENTS

(Continued)

	<u>PAGE</u>
PART IV – COMPLIANCE SECTION	
Report of Independent Certified Public Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	105-106
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	107-108
Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Awards Program and State Financial Assistance Project	109-110
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	111-112
Note to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	113
Summary Schedule of Prior Audit Findings	114
Schedule of Findings and Questioned Costs	115-118





PART I - INTRODUCTORY SECTION



City of North Miami

776 Northeast 125th Street, P.O. Box 610850, North Miami, Florida 33261-0850

(305) 893-6511

June 24, 2003

To the Citizens, Honorable Mayor and
Members of the City Council of the
City of North Miami, Florida

The Comprehensive Annual Financial Report of the City of North Miami, Florida, for the fiscal year ended September 30, 2002 as required by Chapter 11.45 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 23 of the Charter of the City of North Miami is submitted for your review. The City of North Miami has elected to implement early the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of North Miami for the fiscal year ended September 30, 2002.

The financial statements included in this report conform with accounting principles generally accepted in the United States (GAAP) established by the Governmental Accounting Standards Board. This report consists of management's representations concerning the finances of the City of North Miami. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented. We believe the data presented in this report to be accurate in all material respects, and include all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of North Miami's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2002 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards.

This year, the City's CAFR has been expanded and reformatted in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of North Miami's MD&A can be found immediately following the report of the independent Certified Public Accountants.

PROFILE OF THE GOVERNMENT

The City of North Miami was incorporated on February 5, 1926 and is a political subdivision of the State of Florida. The City operates under a council-manager form of government and provides general government, public safety, public works, economic and community development, library, recreation and cultural event services to 59,996 residents. In addition, the City operates the Water and Sewer Utility, Stormwater Utility and Solid Waste Services as enterprise activities. The Council is responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager and City Attorney. The City Manager is the City's Chief Executive Officer and is responsible for the daily operations of the City and for implementing policies adopted by the City Council. The City Manager is also charged with the hiring of department heads and with preparing the annual budget.

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of North Miami as legally defined), as well as all of its component units. Component units are legally separate entities for which the City of North Miami is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The Museum of Contemporary Art, Inc. (MoCA) (a not-for-profit corporation) is reported as a discretely presented component unit. The North Miami Health Facilities Authority is also a component unit of the City, however, because there are no assets, liabilities or results of operations to report, disclosure is made only in the notes. Additional information on both of these legally separate entities can be found in Note 1 in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control systems. Management's budget request is presented to the City Council by the City Manager. The Council holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level except for the General Fund, which is at the departmental level. The budget to actual comparison for the General Fund is included as RSI (Required Supplementary Information) following the notes to the basic financial statements. All other budget to actual comparisons are presented as other required supplementary information.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of

North Miami operates. The City of North Miami is the fourth largest City in Miami-Dade County, the fifteenth largest in South Florida, and the thirty-eighth (of 400) largest in the state. It is 9.5 square miles in area. North Miami's ideal location between Fort Lauderdale and Miami with easy access to major transportation corridors and area resources makes it a desirable place in which to live and work. With such accessibility and convenience, North Miami's major communities like Sunkist Grove, Central North Miami, Keystone Point and San Souci house more than 2,500 businesses and 59,996 residents. These residents are primarily younger families of multi-ethnic backgrounds that make North Miami, one of the youngest, most culturally diverse cities in South Florida. With a median household income of roughly \$29,778, the area represents a stable middle class population base. In 2002, the unemployment rate for City residents was 7.9%. The City is home to many of Florida's film and music studios, and offers office space, manufacturing and warehousing within its boundaries. Housing stock includes a mix of single-family homes, apartment buildings and condominiums. Home sales in North Miami have increased considerably during the past several years. Based upon home sales in the City's central area, the average price of a home increased more than 25% during the three-year period between 1998 and 2001.

Long-Term Financial Planning

The City of North Miami's primary focus related to economic growth is the redevelopment of existing commercial property and the enhancement of residential values through neighborhood revitalization. The City through a grant from the Economic Development Administration of the U.S. Department of Commerce has developed a Comprehensive Economic Development Plan that provides insight into the factors influencing North Miami's economy and outlines a program for future action. The plan, adopted by the City Council, formulates an economic development strategy establishing goals and objectives from which achievable neighborhood and commercial revitalization projects can be developed.

In 2001, the City began the process of selecting a master developer for the former Munisport site ("Biscayne Landings") and in December 2002, a Development Agreement was executed. This is a comprehensive development project for the City's last remaining large parcel of open space. When completed, this project will provide new revenue streams for the General Fund and the benefits of a fully funded Community Redevelopment Agency. The Biscayne Landings project represents a major mixed-used development opportunity for a multi-phase development program. Plans include upscale condominiums, a town center, park space, a charter school, and a hotel, all to be phased in over the next 15 years. This development is expected to create a significant potential tax base for the City, and in turn help support redevelopment initiatives elsewhere in the City. Additional information regarding the Munisport site can be found in Note 12 of the notes to the basic financial statements.

MAJOR INITIATIVES

North Miami continues to strengthen its commitment as the "City of Progress". During fiscal year 2002, the City achieved many significant accomplishments in furtherance of the goals and objectives established by the City Council. The accomplishments included:

- A Development Agreement was executed for the development of Biscayne Landings which will create a significant potential tax base for the City and provide the necessary funds for redevelopment initiatives elsewhere in the City.

- Secured state and federal grant funding totaling \$8.2 million for retrofitting drainage systems throughout the City.
- Secured state and federal grants totaling approximately \$1.3 million to reduce inflow and infiltration into the City's sewer system.
- Secured state grant funding in the amount of \$809,000 for implementation of a transit circulator system that will facilitate access for residents to educational, cultural and commercial centers and provide intermodal connectivity to Miami-Dade transit systems.
- Current refunding of \$3.2 million of outstanding 1992 General Obligation bonds, taking advantage of lower interest rates to reduce total debt service requirements by approximately \$233,000.
- Continued revitalization of the downtown area. Renovation of the 700 and 800 blocks (north) is complete and design alternatives for the 600 block (north) are underway.
- Formulation of a Comprehensive Economic Development Plan for the City establishing goals and objectives from which achievable neighborhood and commercial revitalization projects can be developed.
- Sponsored in partnership with the Chamber of Commerce, local business groups and civic organizations a year-long award winning Music Series consisting of over 30 concerts. The events are free to the public and designed to promote the Downtown as a cultural hub as well as promote local businesses.
- Continued efforts to increase citizen participation and awareness by hosting classes like KICS (Knowledge in City Services) and the Police Citizens Academy.
- Implemented a new customer service software to better track constituent issues.
- Received the prestigious "2001-2002 Miami-Dade Public Schools Exemplary Partner Award", for the City's At-Risk Program Promoting Leisure Education (APPLE) and Teens in Action (TIA) programs.
- Development of a comprehensive Community Oriented Policing Services (COPS) program that includes redistricting of the City into specific geographical areas to increase crime awareness and promote concerted interaction between the police and the community. This is one of many programs implemented by the City's fully-accredited Police Department.
- Development of the NoMi Arts District along NE 125th Street, with the relocation of many art galleries to the area.
- Launched its new e-city on the web. In addition to the City's own cable channel, this website provides increased information on all City departments, services and events.

Although fiscal year 2002 was a year of significant accomplishments, the City's economy has not fully rebounded from the devastation of September 11, 2001. The City, as well as other state and local governments, faces the challenge of providing infrastructure and support systems needed to maintain quality of life for our citizens with providing expected services.

CASH MANAGEMENT

The City maintains a pooled cash account for all funds excluding the Pension Trust funds. The cash management program involves a mix of maintaining principal and earnings free from risk, maintaining adequate liquidity to meet the City's obligations, and maximizing investment return through the solicitation of competitive rates from various investment sources. In 2001, the City formally adopted its written investment policy pursuant to Section 218.415, Florida Statutes.

The City has primarily invested in Certificates of Deposit (CD's) with financial institutions, collateralized as required by Florida Statutes Chapter 280 "Florida Security for Public Deposits Act", a collateralized Interest on Public Funds Checking Account and investments with the State Board of Administration ("SBA") Investment Pool. The average interest rate for the fiscal year was 2.12%. The combined interest earnings from the City's Public Funds Checking Account, CD and SBA investments totaled \$473,991. Total interest earned from all sources, including assets held and managed by fiscal agents was \$489,807. The City's Defined Benefit Pension Plans and Defined Contribution Pension Plans manage their own funds, and are not included in the City's pooled cash system. The Pension Trust funds' investment portfolio also includes U.S. Government obligations, corporate stocks and bonds.

RISK MANAGEMENT

The City's General Liability and Workers' Compensation insurance programs are self-insured and accounted for within the General Risk Management Internal Service Fund. This fund contains liability reserves, including Incurred But Not Reported (IBNR) and Allocated Loss Adjustment Expenses (ALAE) reserves, as required by the Governmental Accounting Standards Board's Statement No. 10. The various City departments are assessed a charge based upon requirements of the program. The Workers' Compensation self-insurance program is administered by an outside party. The City purchases commercial insurance coverage for law enforcement officers' and public officials' liability. Group health and dental coverage is provided through fully insured plans to help control costs. Beginning in fiscal year 2000, funds remaining in the Health Insurance Trust Fund are being used to pay the costs of employee health insurance premiums as approved by City Council. Additional information on the City's risk management activity can be found in Note 9 of the notes to the basic financial statements.

PENSION TRUST OPERATIONS

The City of North Miami has two Defined Benefit Pension Plans. The Clair T. Singerman (CTS Plan) Employees' Retirement System covers police officers hired before January 1, 1977, and all general employees and former North Miami firefighters. The Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 (748 Plan) covers police officers hired after January 1, 1977. A separate Board of Trustees is responsible for the administration of each Plan. Two members of each Board are assigned as trustees as a result of their City positions, one member is designated by the City Manager, and the remainder is elected by the Plan membership.

Biannually, an independent actuary engaged by the pension boards calculates the amount of the annual pension contribution required by the City to ensure that the plans will be able to fully meet their respective obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary.

The City also offers two defined contribution pension plans. The North Miami Police Officers' Retirement Pension Fund Share Plan covers all City police officers and is funded through state insurance premium tax monies. The City of North Miami Department Managers' Pension Plan covers the City's department managers and is funded through City contributions consisting of 10% of a participant's compensation. These plans are not reported as funds of the City, but are disclosed in the notes to the financial statements as defined contribution pension plans.

The City also sponsors two deferred compensation plans, which qualify under Internal Revenue Code Section 457. The Plans are funded by employee contributions and administered by independent fiduciary agents. These plans do not meet the fiduciary criteria found in NCGA Statement No. 1 and, accordingly, in compliance with GASB Statement No. 32 are no longer reported on the City's balance sheet.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001. This was the thirteenth consecutive year that the City has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2002, Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

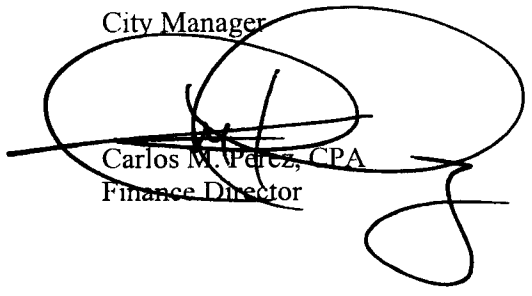
The preparation of this report and especially the early implementation of GASB Statement No. 34 would have not been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We also would like to express a special note of thanks to our independent certified public accountants, Rachlin Cohen & Holtz LLP, for their cooperation and assistance. Their professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions is greatly appreciated.

Sincere appreciation is also expressed to the City Council for their leadership, and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Irma J. Plummer
City Manager



Carlos M. Pérez, CPA
Finance Director

CITY OF NORTH MIAMI, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2002

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Joe Celestin, Mayor

Michael R. Blynn

Jean Monestime

Jacques Despinosse

Scott Galvin

CITY MANAGER

Irma J. Plummer

CITY ATTORNEY

John Dellagloria

CITY CLERK

Simon H. Bloom

FINANCE DIRECTOR

Carlos M. Perez, CPA

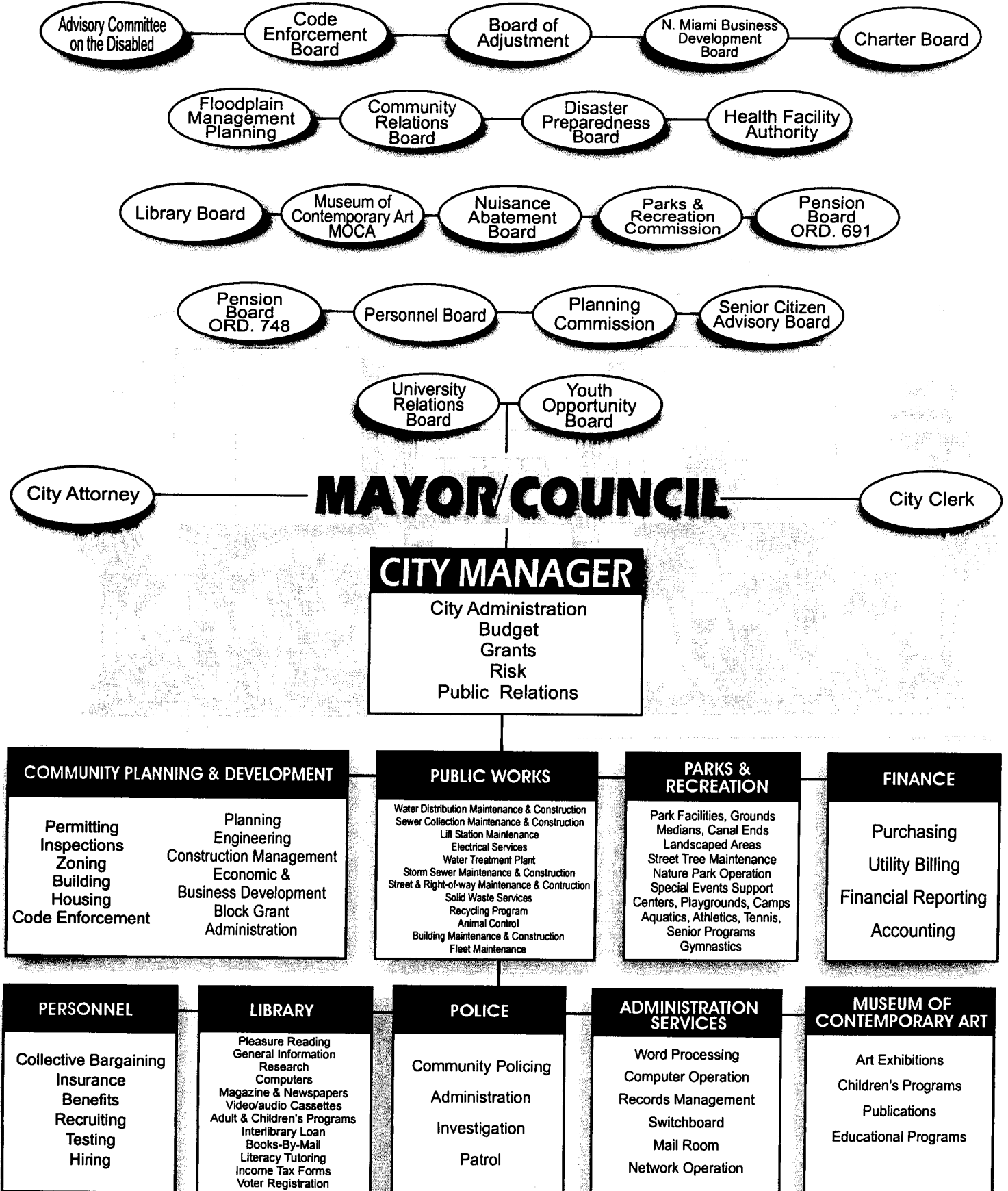
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Rachlin Cohen & Holtz LLP



ORGANIZATIONAL STRUCTURE

FOR THE CITY OF NORTH MIAMI



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Miami,
Florida

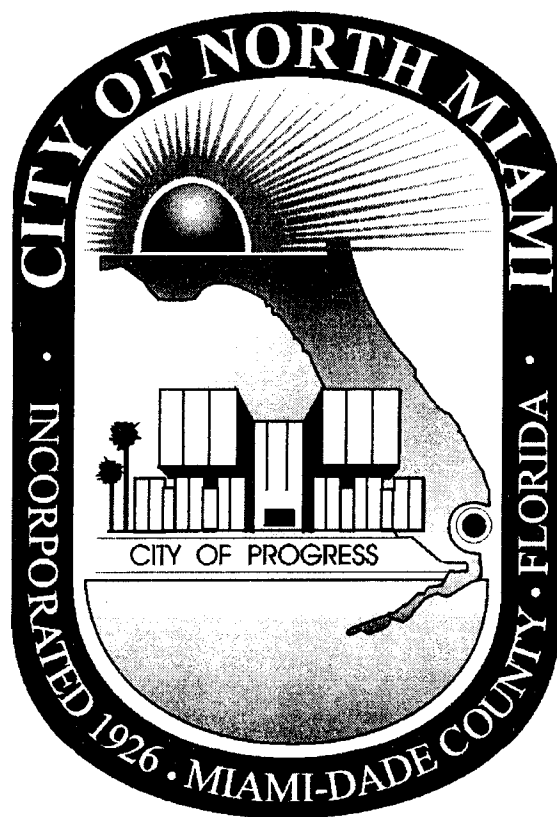
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director





(Continued)

PART II - FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2002, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1 to the basic financial statements, the City implemented the new financial reporting requirements of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Honorable Mayor, City Council City Manager
City of North Miami, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-19 and pages 68-71, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund financial statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 28, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

City of North Miami, Florida

Management's Discussion and Analysis

As management of the City of North Miami, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

This is the first year that the City has reported its financial statements in a government-wide format following the Governmental Accounting Standards Board Statement Number 34 reporting model --- *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34)*. Thus, comparative information from the prior years in the GASB 34 format is not available. Fund-based financial reporting and government-wide financial reporting are not viewed as being in conflict; however, they are not comparable. Since government-wide comparative information is not available this year, the City's fund-based comparative information is being used in selected sections.

FINANCIAL HIGHLIGHTS

- The assets of the City of North Miami exceeded its liabilities at the close of the most recent fiscal year by \$72,908,137 (*net assets*). Of this amount, \$1,294,880 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1,949,592.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,151,582, a decrease of \$1,746,234 in comparison with the prior year. Approximately 84% of this total amount is available for spending at the government's discretion (*unreserved fund balance*). However, only 20% of this amount is available in the City's General Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,051,186 or 3% of total general fund expenditures.
- The City's total debt increased by \$5,464,864 (24%) during the current fiscal year. The key factor in this change was the borrowing of \$5,545,000 in loan proceeds for the Stormwater Utility.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1)government-wide financial statements, 2)fund financial statements and 3)notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of North Miami, Florida

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, highways and streets, public safety, culture and recreation, community planning and development, physical environment, and economic development. The business-type activities of the City include a Water and Sewer Utility, a Stormwater Utility, and Solid Waste Services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate museum for which the City of North Miami is financially accountable. Financial information for the museum is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 20-21 of this report.

Infrastructure Assets. While the City has elected to early implement GASB 34, the City has deferred implementing the infrastructure portion related to governmental activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 72-80 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget (pages 68-69).

The basic governmental fund financial statements can be found on pages 22-24 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer, Stormwater, and Solid Waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its self insurance activities. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Stormwater, and Solid Waste operations. All three of these funds are considered major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 81-84 of this report.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 32-67 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on page 71 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Since this is the first year that the City has reported its financial statements in a government-wide format using the GASB 34 reporting model, comparative information from prior years in the GASB 34 format is not available. Therefore, in lieu of government-wide comparative information, fund-based comparative information is being provided in selected sections. In future years, a comparative analysis of government-wide data will be presented.

Net Assets

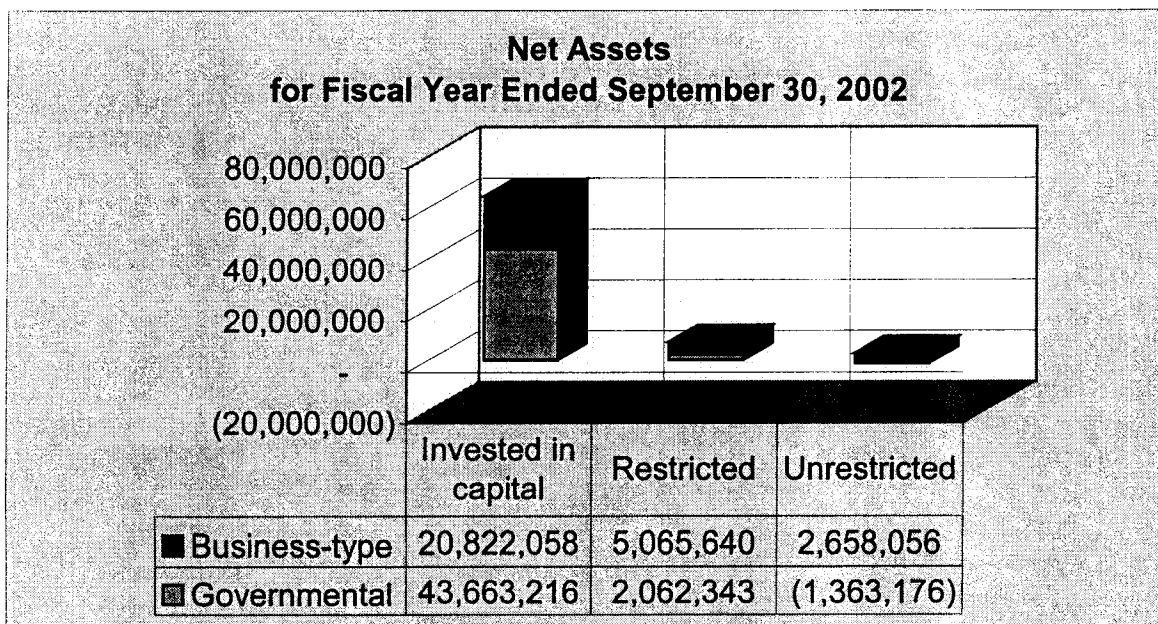
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of North Miami, assets exceeded liabilities by \$72,908,137 at the close of the most recent fiscal year.

City of North Miami's Net Assets

	Governmental Activities	Business-type Activities	Total 2002
Current and other assets	\$25,600,716	\$19,456,607	\$45,057,323
Capital assets	49,667,956	25,748,355	75,416,311
Total assets	75,268,672	45,204,962	120,473,634
Long-term liabilities	26,562,039	11,390,153	37,952,192
Other liabilities	4,344,250	5,269,055	9,613,305
Total liabilities	30,906,289	16,659,208	47,565,497

Net assets:

Invested in capital assets, net of related debt	43,663,216	20,822,058	64,485,274
Restricted	2,062,343	5,065,640	7,127,983
Unrestricted	(1,363,176)	2,658,056	1,294,880
Total net assets	\$44,362,383	\$28,545,754	\$72,908,137



City of North Miami, Florida

Management's Discussion and Analysis

By far the largest portion of the City of North Miami's net assets (88.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$7,127,983 (9.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,294,880 (1.8%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for its business-type activities. However, for its governmental activities, all of the net assets are either restricted as to the purposes they can be used for or are invested in capital assets (land, buildings, equipment, and so on). Consequently, *unrestricted* net assets showed a \$1,363,176 deficit at the end of the fiscal year. This deficit does not mean that the City does not have resources to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities to pay for unused employee vacation and sick leave. The City has begun setting aside reserves to fund this item in future years' budgets.

Although the business-type activities reflect a balance of \$2,658,056 in unrestricted net assets, these resources cannot be used to make up the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer and stormwater utilities.

City of North Miami, Florida

Management's Discussion and Analysis

Changes in Net Assets

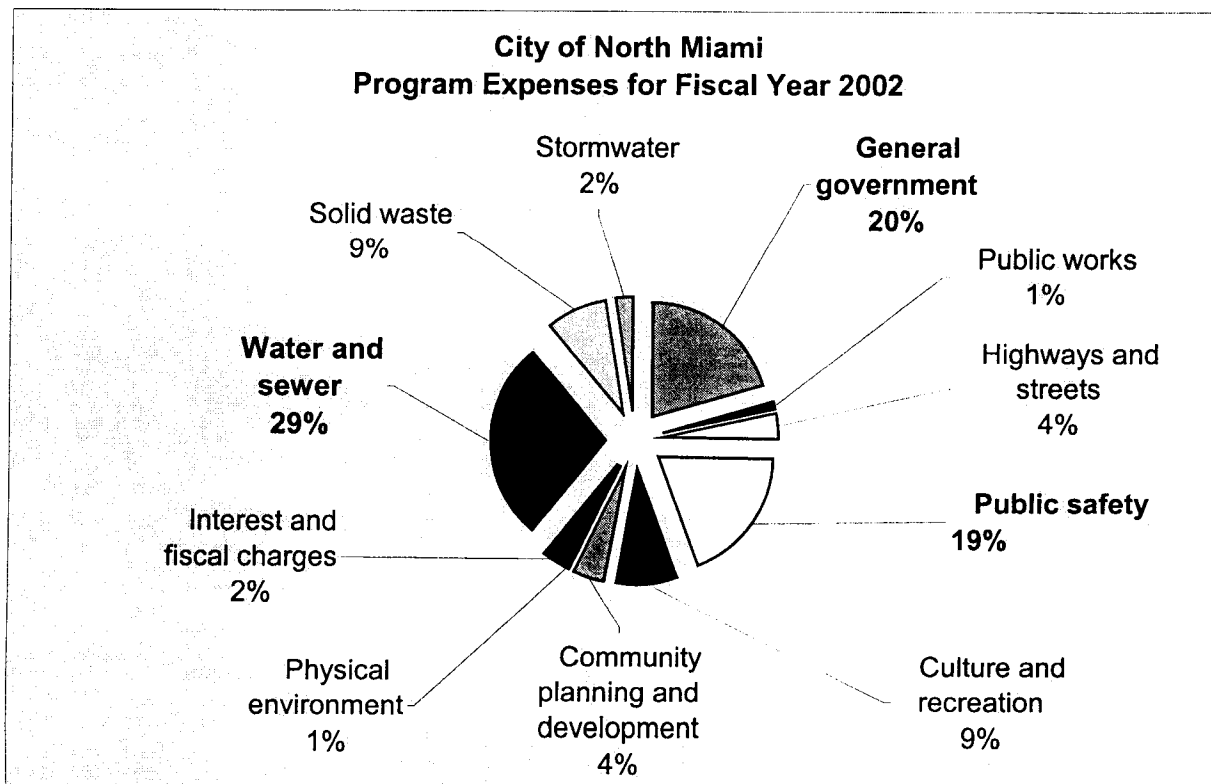
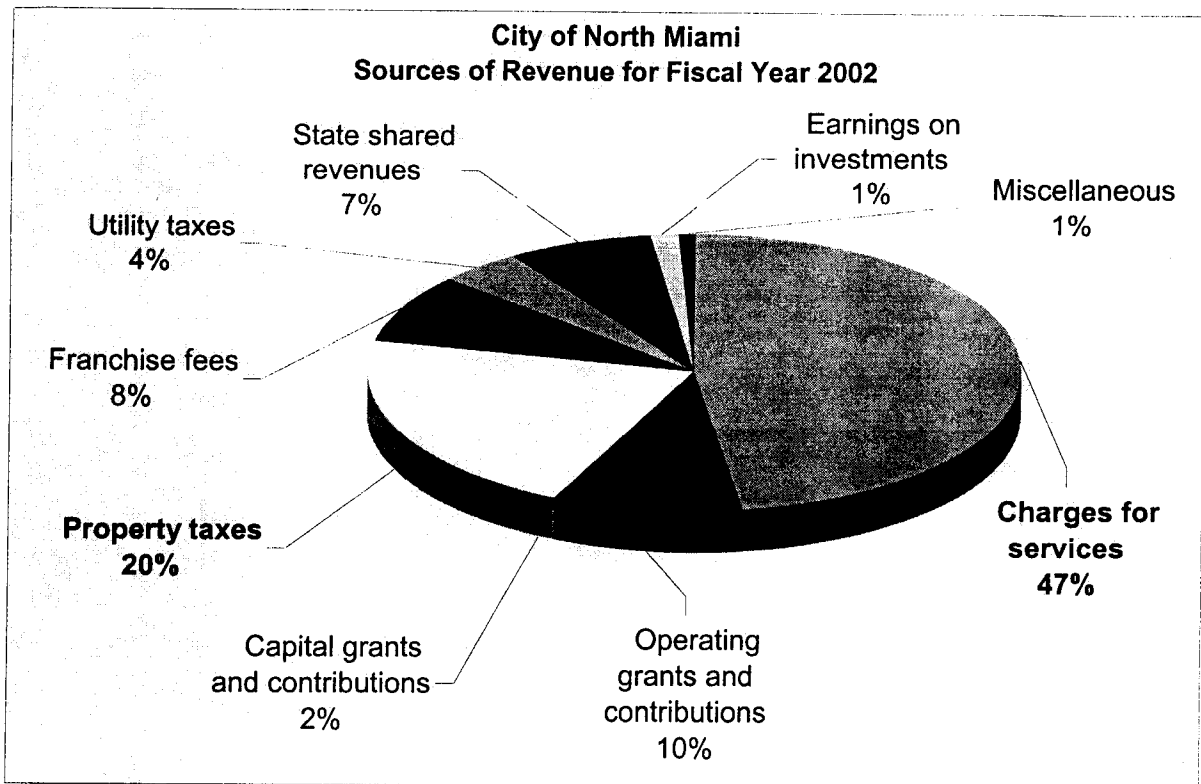
As noted earlier, this being the first year of implementation for GASB 34, comparative information from prior years is provided only in selected sections. In future years, a comparative analysis of government-wide data will be presented.

City of North Miami's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total 2002
Revenues:			
Program Revenues:			
Charges for services	\$6,687,434	\$21,660,979	\$28,348,413
Operating grants and contributions	5,653,989	62,217	5,716,206
Capital grants and contributions	387,567	588,125	975,692
General Revenues:			
Property taxes	11,785,025	-	11,785,025
Franchise fees	4,741,489	-	4,741,489
Utility taxes	2,428,414	-	2,428,414
State shared revenues	4,381,650	-	4,381,650
Earnings on investments	315,408	454,614	770,022
Miscellaneous	307,288	225,786	533,074
Total revenues	36,688,264	22,991,721	59,679,985
Expenses:			
General government	12,594,194	-	12,594,194
Public works	761,565	-	761,565
Highways and streets	2,177,758	-	2,177,758
Public safety	11,748,202	-	11,748,202
Culture/recreation	5,336,611	-	5,336,611
Community planning and development	2,725,694	-	2,725,694
Physical environment	849,320	-	849,320
Economic environment	144,329	-	144,329
Interest and fiscal charges	1,085,047	-	1,085,047
Water and sewer	-	17,291,430	17,291,430
Solid Waste	-	5,440,595	5,440,595
Stormwater	-	1,474,832	1,474,832
Total expenses	37,422,720	24,206,857	61,629,577
Decrease in net assets before transfers	(734,456)	(1,215,136)	(1,949,592)
Transfers	(635,539)	635,539	-
Decrease in net assets	(1,369,995)	(579,597)	(1,949,592)
Net assets September 30, 2001	45,732,378	29,125,351	74,857,729
Net assets September 30, 2002	\$44,362,383	\$28,545,754	\$72,908,137

City of North Miami, Florida

Management's Discussion and Analysis



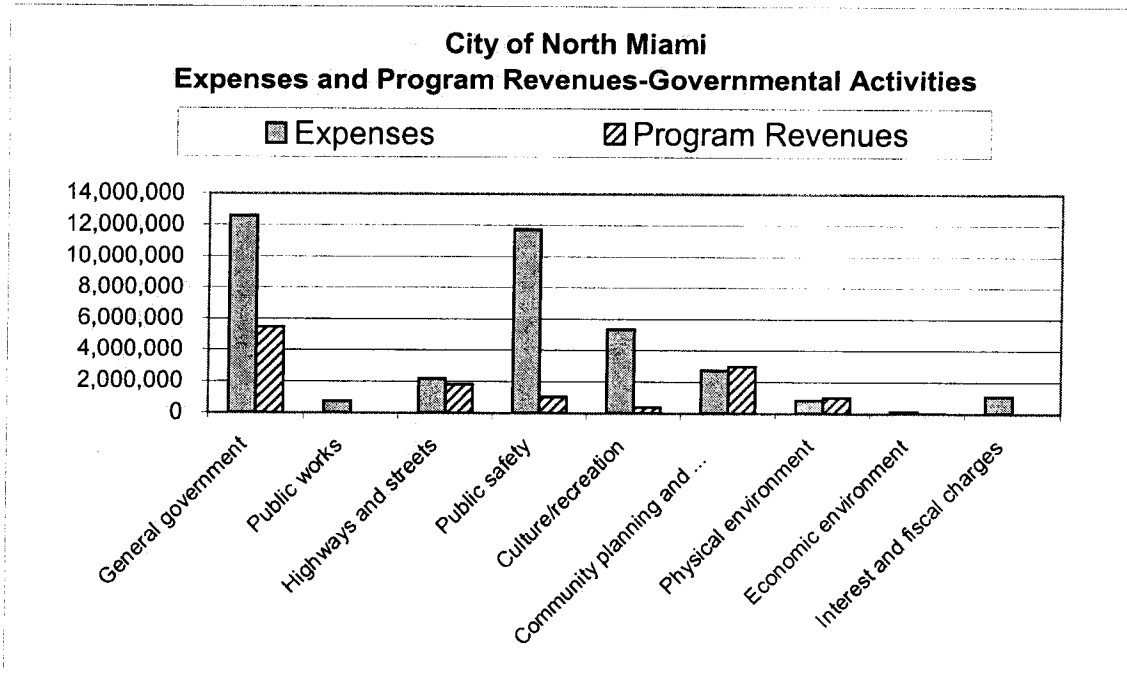
City of North Miami, Florida

Management's Discussion and Analysis

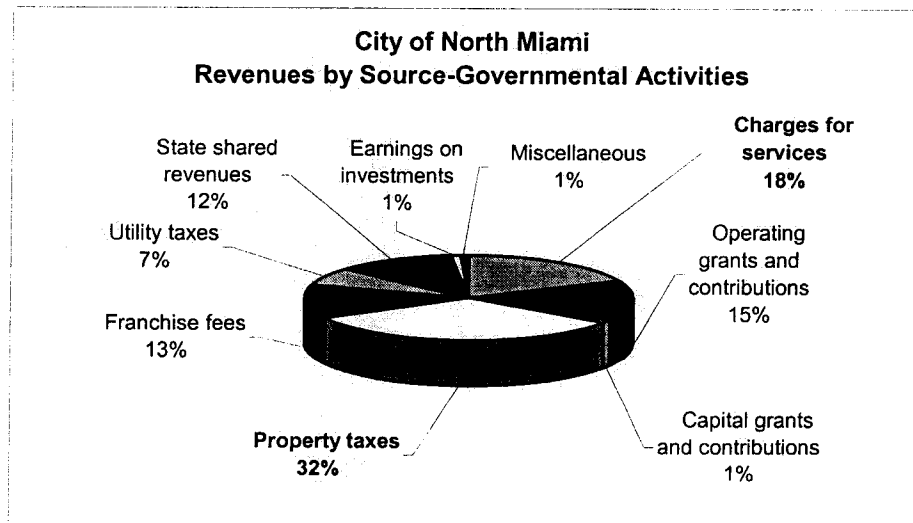
Governmental Activities

Net assets of the City's governmental activities decreased by \$1,369,995 (3%) from \$45,732,378 in the last fiscal year to \$44,362,383 in the current fiscal year.

- General government, public safety and culture/recreation comprise over 78% of the City's total governmental activities. General government program revenues fund slightly less than 50% of its activities, while public safety and culture/recreation program revenues fund less than 10% of their activities. General revenues, primarily property taxes, fund the balance of these activities.
- Physical environment and community planning and development show program revenues in excess of expenses. This is because in 2002 the expense activities do not yet reflect depreciation on infrastructures, and because some of the grant-related revenues were recognized for capital or debt related expenditures that are not reflected as expenses under GASB 34 reporting.



Program revenues, comprised of charges for services, and operating and capital grants and contributions, represent 34% of the governmental activities total revenues. Property taxes, which represent 32% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.



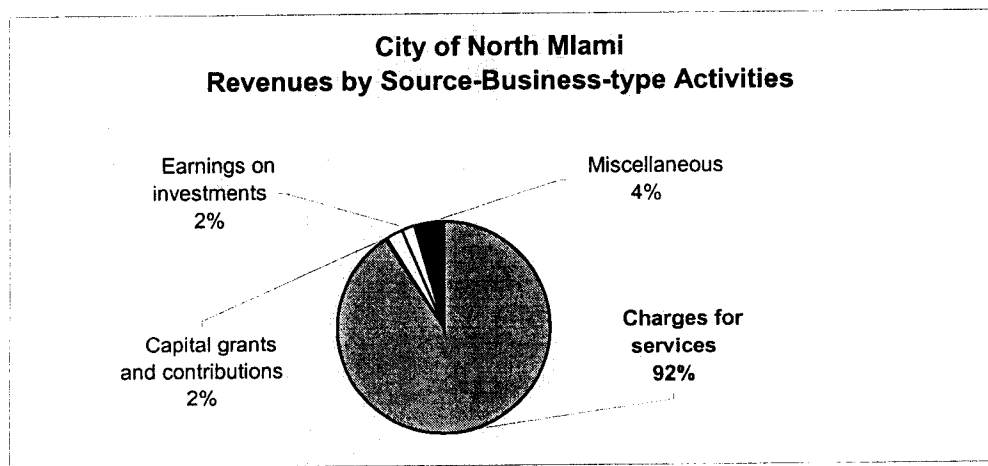
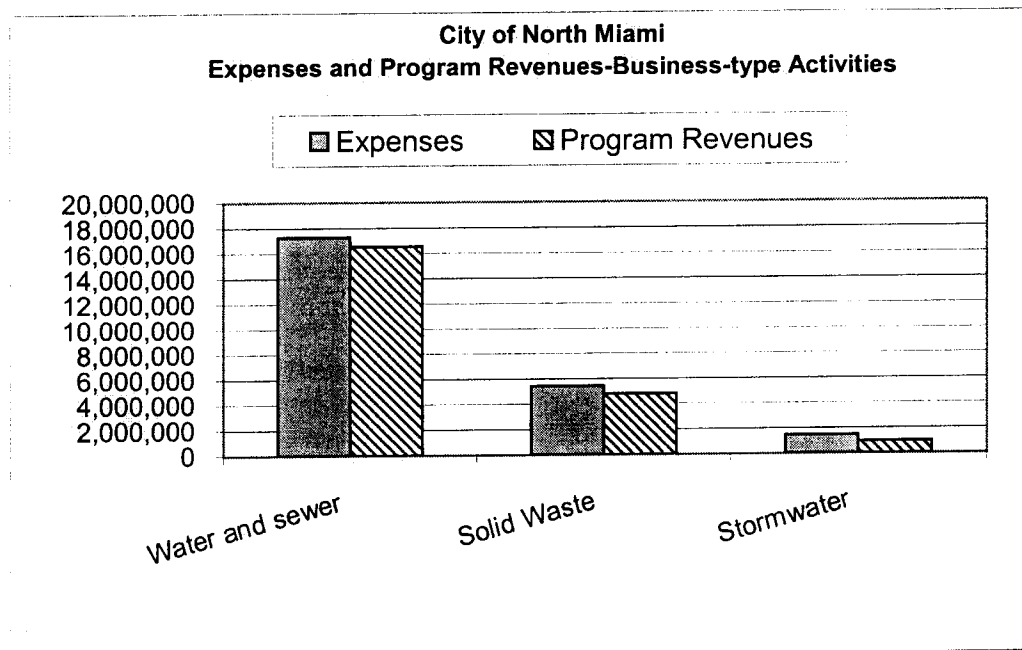
City of North Miami, Florida

Management's Discussion and Analysis

Business-type Activities

Business-type activities decreased the City's net assets by \$579,597, accounting for 29% percent of the total reduction in the City's net assets.

- In fiscal year 2002, all three of the City's business-type activities reflected operational losses. While the cost to provide these services continues to rise, the City has not raised the rates being charged to customers. Charges for services represent 92% of the total business-type activities' revenues.
- The Water & Sewer and Stormwater operational losses were slightly offset by non-operating revenues such as income from investments. However, this still resulted in reductions to net assets of \$434,197 and \$155,262 respectively.
- The Solid Waste Fund provided a slight increase in net assets of \$9,862. But this was only due to a one time revenue of \$437,500 for equipment replacement reserves released from an internal service fund. This operation continues to report liabilities in excess of assets of \$529,968. The Solid Waste Fund has been reporting deficits for the last eight years.



City of North Miami, Florida

Management's Discussion and Analysis

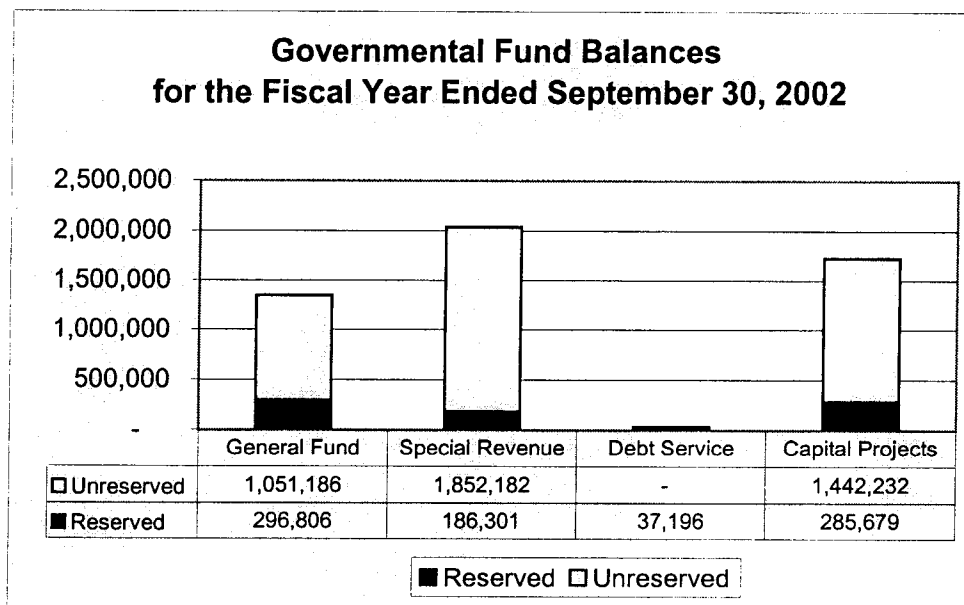
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of North Miami uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2002, the City's governmental funds reported combined ending fund balances of \$5,151,582, a decrease of \$1,746,234 in comparison with the prior year. Approximately 84% of the ending fund balance (\$4,345,600) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$760,354), 2) to pay debt services (\$37,196), or 3) for other restricted purpose (\$8,432). It is important to note, that although available for spending, \$1,852,182 and \$1,442,232 are the unreserved fund balances for the special revenue funds and the capital project funds respectively. These funds were set up to separately account for certain revenue sources that are legally restricted to expenditure for specified purposes.



General Fund

The General Fund is the chief operating fund of the City. At September 30, 2002 unreserved fund balance of the general fund was \$1,051,186, while total fund balance was \$1,347,992. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3% of total general fund expenditures, while total fund balance represents 4% of that same amount.

The fund balance of the City's General Fund decreased by \$1,830,313 during the current fiscal year. Total general fund expenditures increased 10%, while total revenues only increased 7%. Although expenditures did not exceed budgeted appropriations, the shortfall was made up by the use of fund balance (unappropriated surplus).

City of North Miami, Florida

Management's Discussion and Analysis

The amount of General Fund revenue by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenues	2002 Amount	Percent of Total	2001 Amount	Percent of Total	Increase (Decrease) From 2001	Percentage of Increase (Decrease)
Property taxes	\$11,313,624	36%	\$10,508,691	35%	\$804,933	8%
Franchise fees	4,741,489	15%	2,954,186	10%	1,787,303	61%
Utility taxes	2,428,414	8%	3,923,039	13%	(1,494,625)	-38%
Sales and use taxes	898,208	3%	804,771	3%	93,437	12%
Licenses and permits	925,688	3%	829,921	3%	95,767	12%
Intergovernmental	5,375,107	17%	4,971,988	17%	403,119	8%
Charges for services	5,139,702	16%	4,811,068	16%	328,634	7%
Fines and forfeitures	445,051	1%	321,897	1%	123,154	38%
Other, including interest	505,215	2%	650,726	2%	(145,511)	-22%
Total revenues	\$31,772,498	100%	\$29,776,287	100%	\$1,996,211	7%

- Property tax revenues increased 8% as a result of a 6.3% increase in property values, and a 1.7% increase in the operating tax rate from \$8.350 to \$8.500 per \$1000 of assessed value.
- The increase in intergovernmental revenues was primarily due to a 15% increase in the Local Government ½ Cent Sales Tax. This was attributed to the increase in the City's population as recognized by the 2000 Census.
- The variances in franchise fees and other taxes revenue categories are attributed to the 2001 state legislation regarding the communications service tax that became effective on October 1, 2001. The new tax replaced both the franchise fees and utility taxes charged to communication service companies. However, the tax is reported as a franchise fee in 2002.
- The 22% decrease in other income is primarily due to the drop in interest rates on the City's investments.

Expenditures in the General Fund are shown in the following schedule:

Expenditures	2002 Amount	Percent of Total	2001 Amount	Percent of Total	Increase (Decrease) From 2001	Percentage of Increase (Decrease)
General government:						
Departmental	\$5,102,587	15%	\$4,607,310	15%	\$495,277	11%
Non-departmental	6,827,575	21%	5,151,179	17%	1,676,396	33%
Public Works	1,831,985	6%	1,806,330	6%	25,655	1%
Public Safety	10,964,587	33%	10,426,464	35%	538,123	5%
Cultural/Recreation	5,492,566	17%	5,512,454	18%	(19,888)	0%
Community, planning and development	1,773,421	5%	1,542,807	5%	230,614	15%
Grants/aid	353,993	1%	343,814	1%	10,179	3%
Capital outlay	779,445	2%	752,185	2%	27,260	4%
Total expenditures	\$33,126,159	100%	\$30,142,543	100%	\$2,983,616	10%

City of North Miami, Florida

Management's Discussion and Analysis

- Public safety accounts for approximately one-third of the General Fund's budget.
- The most significant increase was in non-departmental, which includes employee benefits and insurance premiums. During 2002, there was a significant increase in the workers compensation premiums charged by the Risk Management Self Insurance Fund to recover costs for claims paid and for actuarially determined long-term liabilities.

Other governmental funds

Significant items pertaining to other governmental funds are as follows:

- Special Revenue funds increased their fund balances by \$730,863. However, over half of this increase was in the Landfill Closure Fund, where \$1.6 million in debt proceeds was drawn down from an existing line of credit (notes payable). While this fund reflects an ending fund balance of \$492,990, the related notes payable had an outstanding balance of \$2,679,864 at year end. Although this fund receives annual grant funding of \$1 million, there is an estimated \$1.4 million in outstanding debt that is not reimbursable from the grant, and will require funding through certain other non-ad valorem revenues.
- Debt Service funds increased their fund balances by \$26,831, as a result of the refinancing of general obligation debt.
- Capital Projects funds decreased their fund balances by \$673,615 as a result of ongoing activity with capital projects. Fund balance at year end was \$1,727,911.

Internal Service Funds

Significant items pertaining to internal service funds are as follows:

- The Group Health Risk Management Fund's net assets continue to decrease. A few years ago, the City elected not to be self-insured with respect to health care insurance for its employees. As a result, the reserves that had been accumulated over previous years, are being partially used each year to pay insurance premiums for employees' health care benefits.
- The General Risk Management Fund reflects no net assets, because it annually charges the user funds an amount equal to the actuarially determined funding level required to fully fund its workers compensation and general liability estimated long-term claims payable.
- The Fleet Management Fund reduced its net assets by \$388,174. Its net assets at year end were \$5,935,857. This fund is responsible for the maintenance of the City's fleet of vehicles and heavy equipment. The net assets are accumulated for vehicle and equipment replacement.

Proprietary Funds

In addition to the items already addressed in the discussion of the City's business-type activities, other significant items pertaining to proprietary funds are as follows:

- The Water & Sewer Utility posted an operating loss of \$1,119,524. This resulted from increased operational costs associated with personal expenses (salaries and insurance benefits) and an increase in the investment rate of return payment to the General Fund. Additionally, the 2001 mandatory water restrictions that led to the reduced revenues in 2001, continued to impact 2002 revenues. This reduction was evidenced by consumption levels that were below those of fiscal year 2000. This also impacted sanitary sewer revenues, sewer treatment fees, and outside city water and sewer surcharge revenues, which were all billed based on water consumption. These conditions contributed to the City's failure to meet the 2002 net revenue test for debt coverage as required in the revenue bond covenant.
- The Stormwater Utility reported an operating loss of \$343,843. During 2002, it issued debt (borrowed funds from a pooled bond issue) of \$5,545,000 for the much needed improvements to its stormwater drainage infrastructure. The rates were not increased to cover the annual debt service. As a result of recent operational losses, the debt could not be secured through the pledge of stormwater user fees. Instead the City has a covenant to budget and appropriate non-ad valorem revenues as security to repay the debt.

City of North Miami, Florida

Management's Discussion and Analysis

- In addition to an operating loss of \$636,068, the Solid Waste Fund has reported liabilities in excess of assets for several years. At year end, it had negative net assets of \$529,968. User rates have not been sufficient to cover the increasing costs of providing the high level of services expected by the customers.

Fiduciary Funds

The declining market conditions resulted in significant losses of investment values in the City's pension plans. The plans' investment policies set the portfolio allocation at 60% equities and 40% fixed income. As a result, both plans posted significant decreases in net assets totaling \$11,133,024.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget did not result in changes to total appropriations. Instead the changes were between departments (budgetary level of control for the General Fund) and can be briefly summarized as follows:

- \$46,683 in miscellaneous decreases in general government activities
- \$2,656 in increases allocated for public works
- \$206,508 in increases allocated to public safety
- \$1,453 in increases allocated to parks and recreation
- \$16,161 in decreases in library
- \$50,400 in decreases in museum
- \$7,295 in increases allocated for community, planning and development
- \$55,580 in increases allocated for grants and aids to others
- \$160,248 in decreases from capital outlay (the result of delays or deferring capital projects)

Even with these adjustments, actual expenditures were \$1.9 million below final budget amounts. On the other hand, resources available for appropriations were \$834,121 below the final budgeted amount. Other financing sources were also below budgeted amounts. This resulted in an overall positive variance of \$1,494,431, between the final budgeted net decrease in fund balance of \$2,785,007 and the actual net decrease of \$1,290,576. Summarized below are the significant variances accompanied by an explanation:

- Intergovernmental: Grants, Unfavorable \$1.7 million variance
Reimbursement grants are recognized to the extent expenditures are incurred. No significant activity was recognized for either the circular transit study, or the sidewalk replacement.
- Taxes: Franchise fees, Favorable \$696,437 variance
Approximately half of this variance resulted from the new communications services tax coming in over budgeted amounts. The remainder is from the electrical company franchise fees that were budgeted conservatively lower than the previous year's actual revenues.
- Community planning and development: Favorable \$317,775 variance
Contractual services for comprehensive planning were less than anticipated.
- Parks and recreation: Favorable \$444,174 variance
Over half of this variance resulted from contractual services being less than anticipated.
- Capital outlay: Favorable \$1.2 million variance
Capital projects delayed or deferred. Specifically, the sidewalk replacement project.

City of North Miami, Florida

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City of North Miami's investment in capital assets for its governmental and business-type activities as of September 30, 2002, amounts to \$75,416,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, enterprise funds' infrastructure, machinery and equipment, and library books. The investment does not include governmental infrastructure assets prior to 2002, as the City has elected to defer inclusion of these assets to a future year.

Capital Assets	Governmental Activities	Business-type Activities	Total 2002	Total 2001
Land	\$25,275,566	\$701,432	\$25,976,998	\$25,613,742
Buildings and improvements	17,121,015	1,348,239	18,469,254	18,526,669
Infrastructure	1,597,819	20,991,969	22,589,788	21,168,734
Machinery and equipment	5,329,639	2,580,795	7,910,434	8,239,789
Library books	342,583		342,583	287,319
Construction in progress	1,334	125,920	127,254	0
Total	\$49,667,956	\$25,748,355	\$75,416,311	\$73,836,253

The total increase in the City's investment in capital assets for the current fiscal year was 2% (\$1,580,058). The gross additions to capital assets before depreciation equaled \$3,458,385 for governmental and \$1,315,876 for business-type activities. This year's major capital asset additions (approximately) included:

- \$730,000 in water and sewer projects. About one-third of this was for the sanitary sewer line rehabilitation (relining of sewer lines) project which is ongoing. Other costs represent upgrades of lift stations and utility lines.
- \$174,000 in stormwater projects. This reflects the initial stages of over \$5 million in proposed drainage improvements for certain areas of the City.
- \$840,000 in CDBG funded projects. This includes \$138,000 for the creation of an off street parking lot and over \$700,000 in swale improvements, alley paving and downtown sidewalk landscaping.
- \$518,000 in capital projects funded by the transportation gas tax. These include over \$300,000 in sidewalk replacement projects. Other projects included street closures, canal drive improvements and a dividing wall.
- \$360,000 of continuing land improvements at the former Munisport site. The property is being remedied in preparation for a major development (see note 12 for further details).
- \$246,000 in improvements to the police building's air conditioning system.
- \$1.1 million in vehicular assets (fleet). This included 15 police vehicles, a boat for the stormwater operations, a jet-vac truck for the water and sewer operations and other additions.
- \$362,000 in equipment. This included about \$68,000 in computer equipment. It also included \$69,000 for an emergency generator and \$45,000 for a vehicle lift; both of these to be used at the motor pool.
- \$68,00 in contributed assets from developers.
- \$141,000 in new books
- \$235,000 in other capital projects/acquisitions.

Additional information on the City's capital assets can be found in note 7 on pages 44-46 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

Long-term debt

At September 30, 2002, the City had total bonded debt outstanding of \$28,219,864. Of this amount, \$3,335,000 comprises debt backed by the full faith and credit of the government. \$4,905,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The remainder are special obligation bonds, loans and notes payable that are secured by non-ad valorem revenues through covenants to budget and appropriate.

Long-term Debt	Governmental Activities	Business-type Activities	Total 2002	Total 2001
General obligation debt	\$3,335,000	\$ -	\$3,335,000	\$3,500,000
Special obligation bonds	11,755,000	-	11,755,000	11,900,000
Loans, notes payable and other obligations	2,679,864	5,545,000	8,224,864	2,000,000
Revenue bonds	-	4,905,000	4,905,000	5,355,000
Total	\$17,769,864	\$10,450,000	\$28,219,864	\$22,755,000

The City's total debt increased by \$5,464,864 (24%) during the current fiscal year. The key factor in this increase was a \$5,545,000 loan obtained through a pooled bond issuance. The loan was obtained to fund stormwater drainage improvement projects. The City also refinanced its general obligation bond with a \$3,335,000 loan also obtained through a pooled bond issue. By refinancing the debt, the City will take advantage of favorable interest rates and reduce its debt service payments by \$233,000.

The City's Water and Sewer revenue bonds had the following ratings in 2002 from Standard & Poors:

- The 1963 Series (maturing in 2003) A+
- The 1964 Series (maturing in 2004) A
- The 1965 Series (maturing in 2005) Baa1

The special obligation bonds had a rating of Aaa (FSA). The loans and notes payable are not rated. The State of Florida does not impose a debt limitation on municipalities.

Additional information on the City's long-term debt can be found in note 8 on pages 46-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's local economy is primarily based upon retail and service activities. Very few areas in the City remain undeveloped, because the City is basically built out. One exception is the former Munisport site, which is the City's last remaining large parcel of open space. This property will be developed into a major project, n/k/a Biscayne Landing that will provide new revenue streams for the City in the future. Additionally, the City's recently adopted comprehensive economic development plan formulates strategies and goals for neighborhood and commercial revitalization, a primary focus of the City for achieving economic growth.

The State of Florida limits all local government's ability to increase taxable property values in any given year to 3% or cost of living, whichever is lower. Additionally, the first \$25,000 of assessed value is exempt from taxation on homestead property. The City is primarily residential in character and as a result the tax base is not expected to grow as fast as the City's budget. For many years, the City, just like many cities across the country, has had to face the challenge of keeping taxes and services charges as low as possible while providing residents with the level of service they have come to expect.

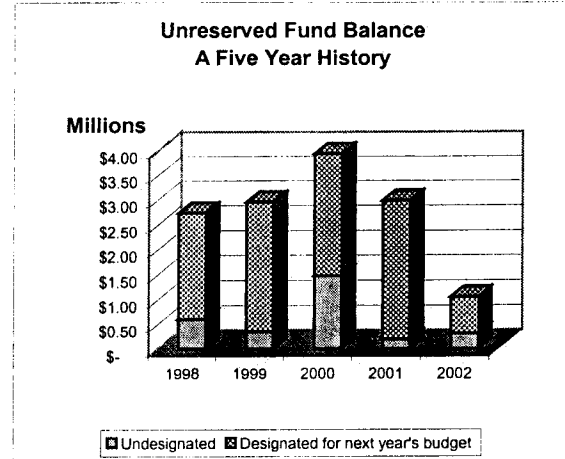
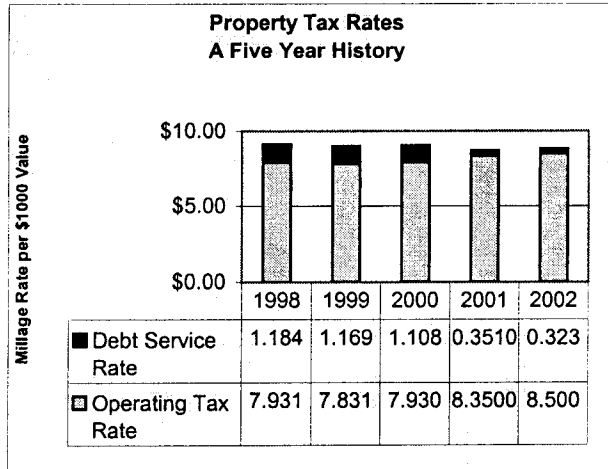
City of North Miami, Florida

Management's Discussion and Analysis

Over the last five years, the City's budget has increased approximately 36%. During this same period, the consumer price index increased just over 10%. The difference in the rate of growth has been attributed to the expansion of programming and the operation of new facilities.

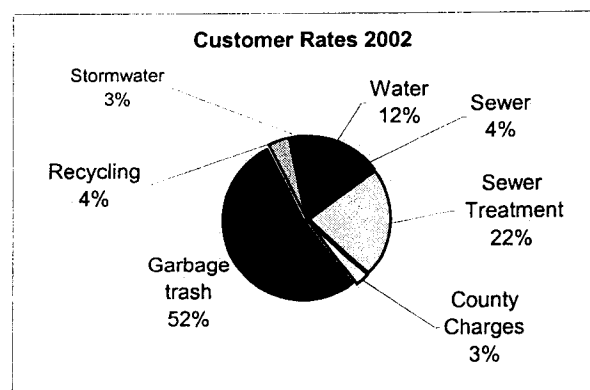
During the current fiscal year, unreserved fund balance in the general fund decreased to \$1,051,186. The City has appropriated \$741,999 of this amount for spending in the 2003 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2003 fiscal year.

The charts below present a five year history the City's operating tax rate and unreserved balances:



The chart below reflects a five year history of annual rates (utility bills) affecting a single family home inside the City that uses 60,000 gallons during the year (an average of 5,000 gallons/month; the minimum charge):

		Fiscal Years				
Customer Rates-Annual		1998	1999	2000	2001	2002
Water & Sewer	Water	\$ 78.00	\$ 78.00	\$ 84.00	\$ 84.00	\$ 84.00
	Sewer	24.20	24.20	26.04	26.04	26.04
	Sewer Treatment	159.60	159.60	159.60	159.60	159.60
	County Charges	19.64	19.64	20.24	20.24	20.24
Solid Waste	Garbage/trash	366.00	372.00	378.00	378.00	384.00
	Recycling	18.00	20.04	21.96	-	29.16
	Stormwater	24.00	25.20	25.20	25.20	25.20
	Totals	\$689.44	\$698.68	\$715.04	\$693.08	\$728.24



The City's Solid Waste Fund's rates are higher than those of some surrounding municipalities, and yet this fund's operation continues to post annual losses. The future of this fund's operation may become a focal point of the 2004 budget, if the operation cannot turn itself around. The failure to raise rates, or to reduce service levels in 2003 is not expected to improve this fund's outlook. The Stormwater's rates were not increased in 2003, despite approvals earlier in the year for borrowings of over \$5.4 million. If rates are not increased, the fund may not be able to meet its debt service requirement without the use of net assets from previous years. If this practice continues, the City will be unable to change the funds pledged for debt

City of North Miami, Florida

Management's Discussion and Analysis

repayment from a revenue specific basis (user fees) to the existing use of citywide non-ad valorem revenues. The Water & Sewer fund experienced a significant operating loss, and as a result the net revenue test for debt service coverage as required in the revenue bond covenant was not met in 2002. This may not be met in 2003. Although the fund's three bond series have maturities in 2003, 2004 and 2005, this potential for non-compliance with debt service requirements may have a negative affect on the City's future borrowings. The City must consider reviewing the rate structure for recommended increases.

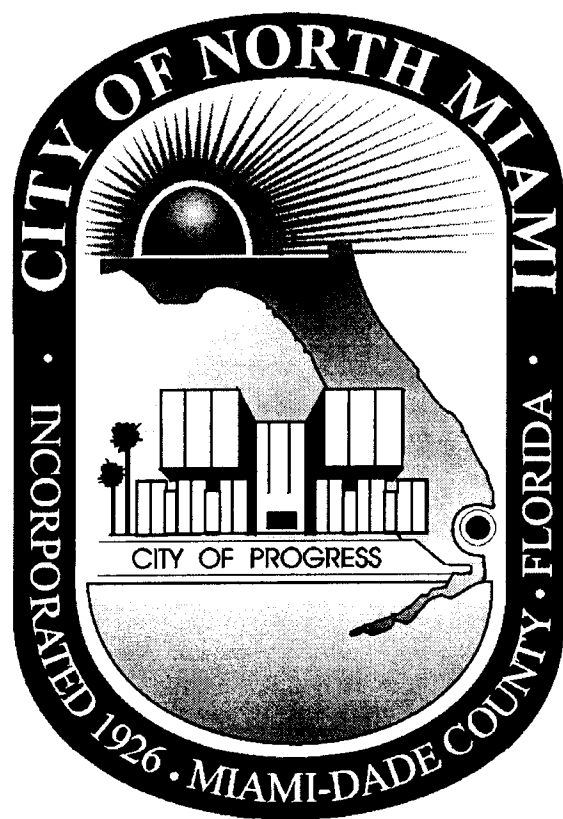
During fiscal year 2003, the City will be looking at the following programs. The success of these programs will provide a springboard to the success of future City programs:

- Negotiation of a development and lease agreement for the City's former Munisport site. The proposed development, n/k/a *Biscayne Landing*, is expected to provide the City with a significant revenue stream in the future.
- An outside audit of the City's property tax roll and occupational licenses may reveal and identify sources for additional revenues.
- Aggressive pursuit of additional grant funding opportunities to assist in providing expanded services to City residents.
- Implementation of monthly meter reading and billing for the City's utility customers, along with a new bill format that provides expanded information. In addition, the City will expand its services to customers by providing alternative methods for paying the bills and for viewing bills online.
- Purchase of customer service software in order to better track constituent issues.
- Provide for Sunday hours at the City's public library.
- The completion of a parks and recreation master plan in order to improve the design and function of the City's parks and recreation facilities.

All of these factors were considered in preparing the City of North Miami's budget for the 2003 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of North Miami's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Carlos M. Perez, Finance Director, Finance Department, City of North Miami, 776 NE 125 Street, North Miami, Florida, 33161.



BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2002

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-</u>		<u>Unit</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>MoCA</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,676,684	\$ 1,703,575	\$ 8,380,259	\$ 128,153
Investments	5,050,000	1,400,000	6,450,000	-
Receivables	2,599,371	4,560,607	7,159,978	252,832
Internal balances	1,557,282	(1,557,282)	-	-
Inventories and supplies	74,303	431,013	505,316	18,246
Net pension asset (see Note 10)	9,392,578	-	9,392,578	-
Deferred charges	195,629	100,457	296,086	-
Net investment in sales-type lease	-	931,120	931,120	-
Restricted assets:				
Cash and investments	-	11,886,966	11,886,966	78,429
Other assets	54,869	151	55,020	1,804
Capital assets, net	<u>49,667,956</u>	<u>25,748,355</u>	<u>75,416,311</u>	<u>18,590</u>
Total assets	<u>75,268,672</u>	<u>45,204,962</u>	<u>120,473,634</u>	<u>498,054</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	1,403,540	950,574	2,354,114	69,843
Contracts payable - retainage	311,847	-	311,847	-
Interest payable	268,883	111,578	380,461	-
Customer deposits	53,507	1,757,509	1,811,016	-
Payable from restricted assets	-	1,023,666	1,023,666	-
Due to other governments	3,152	1,240,728	1,243,880	-
Deferred revenue	465,394	-	465,394	-
Noncurrent liabilities:				
Due within one year	1,837,927	185,000	2,022,927	-
Due in more than one year	<u>26,562,039</u>	<u>11,390,153</u>	<u>37,952,192</u>	<u>-</u>
Total liabilities	<u>30,906,289</u>	<u>16,659,208</u>	<u>47,565,497</u>	<u>69,843</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	43,663,216	20,822,058	64,485,274	-
Restricted for:				
Capital projects	614,802	908,381	1,523,183	-
Law enforcement	320,279	-	320,279	-
Retirement of revenue bonds	-	4,157,259	4,157,259	-
Museum operations	-	-	-	234,348
Grant related expenditures	1,127,262	-	1,127,262	-
Unrestricted	<u>(1,363,176)</u>	<u>2,658,056</u>	<u>1,294,880</u>	<u>193,863</u>
Total net assets	<u>\$ 44,362,383</u>	<u>\$ 28,545,754</u>	<u>\$ 72,908,137</u>	<u>\$ 428,211</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2002

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$12,594,194	\$ 5,291,817	\$ 179,568	\$ -	\$ (7,122,809)	\$ -	\$ (7,122,809)
Public works	761,565	-	-	-	(761,565)	-	(761,565)
Highways and streets	2,177,758	16,702	1,414,315	387,567	(359,174)	-	(359,174)
Public safety	11,748,202	191,821	844,232	-	(10,712,149)	-	(10,712,149)
Culture/recreation	5,336,611	381,177	1,023	-	(4,954,411)	-	(4,954,411)
Community planning and development	2,725,694	805,917	2,162,666	-	242,889	-	242,889
Physical environment	849,320	-	1,022,185	-	172,865	-	172,865
Economic environment	144,329	-	30,000	-	(114,329)	-	(114,329)
Interest on long-term debt	1,085,047	-	-	-	(1,085,047)	-	(1,085,047)
Total governmental activities	37,422,720	6,687,434	5,653,989	387,567	(24,693,730)	-	(24,693,730)
Business-type activities:							
Water and sewer	17,291,430	15,957,226	-	588,125	-	(746,079)	(746,079)
Solid waste	5,440,595	4,804,527	125	-	-	(635,943)	(635,943)
Stormwater	1,474,832	899,226	62,092	-	-	(513,514)	(513,514)
Total business-type activities	24,206,857	21,660,979	62,217	588,125	-	(1,895,536)	(1,895,536)
Total primary government	\$61,629,577	\$28,348,413	\$ 5,716,206	\$ 975,692	(24,693,730)	(1,895,536)	(26,589,266)
Component unit:							
MoCA	\$ 2,170,646	\$ 354,271	\$ 1,906,945	\$ -	-	-	90,570
General revenues:							
Property taxes levied for general purposes					11,313,624	-	11,313,624
Property taxes levied for debt service					471,401	-	471,401
Utility taxes					2,428,414	-	2,428,414
Franchise fees based on gross receipts					4,741,489	-	4,741,489
State shared revenues					4,381,650	-	4,381,650
Unrestricted investment earnings					315,408	454,614	770,022
Miscellaneous revenues					307,288	225,786	533,074
Transfers					(635,539)	635,539	-
Total general revenues and transfers					23,323,735	1,315,939	24,639,674
Change in net assets					(1,369,995)	(579,597)	(1,949,592)
Net assets - beginning					45,732,378	29,125,351	74,857,729
Net assets - ending					\$ 44,362,383	\$ 28,545,754	\$ 72,908,137
							\$ 428,211

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,096,735	\$ 2,014,354	\$ 3,111,089
Investments	700,000	1,700,000	2,400,000
Receivables	1,343,806	1,240,125	2,583,931
Due from other funds	738,391	8,314	746,705
Inventories and supplies	8,432	-	8,432
Other assets	18,910	3,770	22,680
Total assets	<u>\$3,906,274</u>	<u>\$ 4,966,563</u>	<u>\$ 8,872,837</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 892,841	\$ 418,223	\$ 1,311,064
Contract payable - including retainage	196,111	115,736	311,847
Compensated absences	234,824	-	234,824
Customer deposits	53,507	-	53,507
Due to other funds	171,830	283,994	455,824
Interfund payable	667,916	-	667,916
Due to other governmental units	2,774	378	3,152
Advances from other funds	65,409	152,318	217,727
Deferred revenue	273,070	192,324	465,394
Total liabilities	<u>2,558,282</u>	<u>1,162,973</u>	<u>3,721,255</u>
Fund balances:			
Reserved:			
Encumbrances	288,374	471,980	760,354
Inventories and supplies	8,432	-	8,432
Debt service	-	37,196	37,196
Unreserved reported in:			
General fund:			
Undesignated	309,187	-	309,187
Designated	741,999	-	741,999
Special revenue funds:			
Undesignated	-	544,519	544,519
Designated	-	1,307,663	1,307,663
Capital projects funds:			
Undesignated	-	243,398	243,398
Designated	-	1,198,834	1,198,834
Total fund balances	<u>1,347,992</u>	<u>3,803,590</u>	<u>5,151,582</u>
Total liabilities and fund balances	<u>\$3,906,274</u>	<u>\$ 4,966,563</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			45,788,793
A negative NPO (net pension obligation) is not considered to represent a financial asset and therefore is not reported in the governmental funds.			9,392,578
Internal service funds are used by management to charge the costs of risk management, fleet management, and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			7,285,750
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			(23,256,320)
Net assets of governmental activities			<u>\$ 44,362,383</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 19,381,735	\$ 847,455	\$ 20,229,190
Licenses and permits	925,688	-	925,688
Intergovernmental	5,375,107	3,568,458	8,943,565
Charges for services	5,139,702	-	5,139,702
Fines and forfeitures	445,051	254,976	700,027
Other (including interest)	505,215	89,455	594,670
Total revenues	<u>31,772,498</u>	<u>4,760,344</u>	<u>36,532,842</u>
Expenditures:			
Current:			
General government	11,930,162	-	11,930,162
Public works	1,831,985	-	1,831,985
Public safety	10,964,587	581,220	11,545,807
Culture/recreation	5,492,566	-	5,492,566
Community planning and development	1,773,421	460,860	2,234,281
Physical environment	-	828,989	828,989
Economic environment	-	32,189	32,189
Grants/aid	353,993	546,597	900,590
Capital outlay	779,445	1,922,242	2,701,687
Debt service:			
Principal retirement	-	1,300,136	1,300,136
Interest and fiscal charges	-	1,166,380	1,166,380
Issuance costs	-	59,436	59,436
Total expenditures	<u>33,126,159</u>	<u>6,898,049</u>	<u>40,024,208</u>
Deficiency of revenues over expenditures	<u>(1,353,661)</u>	<u>(2,137,705)</u>	<u>(3,491,366)</u>
Other financing sources (uses):			
Transfers in	1,108,212	1,130,840	2,239,052
Transfers out	(1,099,787)	(568,492)	(1,668,279)
Transfers out - component unit	(485,077)	-	(485,077)
Debt issued	-	4,935,000	4,935,000
Premium on debt	-	79,464	79,464
Payment to escrow agent	-	(3,355,028)	(3,355,028)
Total other financing sources (uses)	<u>(476,652)</u>	<u>2,221,784</u>	<u>1,745,132</u>
Net change in fund balances	(1,830,313)	84,079	(1,746,234)
Fund balances - beginning	3,173,809	3,719,511	6,893,320
Increase in inventory reserve	4,496	-	4,496
Fund balances - ending	<u>\$ 1,347,992</u>	<u>\$ 3,803,590</u>	<u>\$ 5,151,582</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2002

Amounts reported for governmental activities in the statement of activities (page 17)
are different because:

Net change in fund balances-total governmental funds (page 19)	\$(1,746,234)
--	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 2,701,687	
Depreciation expense	(994,887)	
Net adjustment		1,706,800

The issuance of long-term debt (e.g., bonds, loans,) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.

The details of the difference are as follows:

Debt issued:		
FMLC - loan (General Obligation)	(3,335,000)	
Premium on debt	(79,464)	
Debt issuance costs	56,959	
Notes payable	(1,600,000)	
Principal payments:		
1992 General Obligation Bonds	235,000	
Pension Obligation Bonds	145,000	
Notes payable	920,136	
Payment to escrow agent for refunding	3,355,028	
Net adjustment		(302,341)

Some expenses reported in the statement of activities do not require this use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Compensated absences	323,562	
Accrued interest	102,291	
Amortization of deferred charge on refunding	(3,751)	
Amortization of issuance costs	(7,396)	
Amortization of loan premium	3,311	
Amortization of bond discount	(7,334)	
Amortization of net pension asset	(407,216)	
Net adjustment		3,467

Internal service funds are used by management to charge the costs of risk management, fleet management, and health insurance premiums to individuals funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.

Change in net assets of governmental activities (page 17)	(1,031,687)
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\$ (1,369,995)

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 593,063	\$ 730,553	\$ 379,959	\$ 1,703,575	\$ 3,565,595
Investments	1,400,000	-	-	1,400,000	2,650,000
Receivables	3,767,070	614,931	178,606	4,560,607	15,440
Due from other funds	-	-	-	-	378,271
Inventories and supplies	431,013	-	-	431,013	65,871
Other assets	151	-	-	151	32,189
Total current assets	<u>6,191,297</u>	<u>1,345,484</u>	<u>558,565</u>	<u>8,095,346</u>	<u>6,707,366</u>
Non-current assets:					
Restricted assets:					
Cash held by agent	-	-	5,839,844	5,839,844	-
Performance bonds and refundable deposits	185,557	-	-	185,557	-
Retirement and sinking funds	4,686,362	-	-	4,686,362	-
Renewal and replacement fund	<u>1,175,203</u>	<u>-</u>	<u>-</u>	<u>1,175,203</u>	<u>-</u>
Total restricted assets	<u>6,047,122</u>	<u>-</u>	<u>5,839,844</u>	<u>11,886,966</u>	<u>-</u>
Interfund receivable	-	-	-	-	1,342,324
Deferred charges	-	-	100,457	100,457	-
Net investment in sales-type lease	931,120	-	-	931,120	-
Advances to other funds	299,486	-	-	299,486	459,409
Capital assets, net	<u>24,967,683</u>	<u>21,297</u>	<u>759,375</u>	<u>25,748,355</u>	<u>4,009,056</u>
Total non-current assets	<u>32,245,411</u>	<u>21,297</u>	<u>6,699,676</u>	<u>38,966,384</u>	<u>5,810,789</u>
Total assets	<u>\$38,436,708</u>	<u>\$1,366,781</u>	<u>\$7,258,241</u>	<u>\$47,061,730</u>	<u>\$ 12,518,155</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 799,648	\$ 46,161	\$ 104,765	\$ 950,574	\$ 92,476
Due to other funds	87,630	565,241	10,327	663,198	5,954
Customer deposits	1,757,509	-	-	1,757,509	-
Due to other governmental units	1,178,181	-	62,547	1,240,728	-
Current portion of loan payable	-	-	185,000	185,000	-
Loan interest payable	-	-	111,578	111,578	-
Total current liabilities	<u>3,822,968</u>	<u>611,402</u>	<u>474,217</u>	<u>4,908,587</u>	<u>98,430</u>
Liabilities payable from restricted assets:					
Performance bonds and refundable deposits	185,557	-	-	185,557	-
Other payables	309,006	-	-	309,006	-
Current portion of revenue bonds	465,000	-	-	465,000	-
Accrued bond interest	32,823	-	-	32,823	-
Matured bonds and interest payable	31,280	-	-	31,280	-
Total payable from restricted assets	<u>1,023,666</u>	<u>-</u>	<u>-</u>	<u>1,023,666</u>	<u>-</u>
Non-current liabilities:					
Compensated absences	673,160	602,279	71,973	1,347,412	310,957
Interfund payable	340,202	275,639	36,561	652,402	22,006
Estimated claims payable	-	-	-	-	4,671,119
Advances from other funds	-	407,429	133,739	541,168	-
Loan payable	-	-	5,612,660	5,612,660	-
Revenue bonds payable	4,430,081	-	-	4,430,081	-
Total non-current liabilities	<u>5,443,443</u>	<u>1,285,347</u>	<u>5,854,933</u>	<u>12,583,723</u>	<u>5,004,082</u>
Total liabilities	<u>10,290,077</u>	<u>1,896,749</u>	<u>6,329,150</u>	<u>18,515,976</u>	<u>5,102,512</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	20,062,683	-	759,375	20,822,058	4,009,056
Restricted for:					
Capital projects	866,197	-	42,184	908,381	-
Retirement of revenue bonds	4,157,259	-	-	4,157,259	-
Unrestricted (deficit)	3,060,492	(529,968)	127,532	2,658,056	3,406,587
Total net assets	<u>28,146,631</u>	<u>(529,968)</u>	<u>929,091</u>	<u>28,545,754</u>	<u>7,415,643</u>
Total liabilities and net assets	<u>\$38,436,708</u>	<u>\$1,366,781</u>	<u>\$7,258,241</u>	<u>\$47,061,730</u>	<u>\$ 12,518,155</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
Operating revenues:					
Metered water sales	\$ 5,346,698	\$ -	\$ -	\$ 5,346,698	\$ -
Sanitary sewer sales	1,468,608	-	-	1,468,608	-
Sewage treatment charges	7,777,119	-	-	7,777,119	-
Solid waste services	-	4,804,527	-	4,804,527	-
Stormwater charges	-	-	899,226	899,226	-
Motor vehicle charges	-	-	-	-	2,832,504
Other charges for services	<u>1,364,801</u>	<u>-</u>	<u>-</u>	<u>1,364,801</u>	<u>3,962,736</u>
Total operating revenues	<u>15,957,226</u>	<u>4,804,527</u>	<u>899,226</u>	<u>21,660,979</u>	<u>6,795,240</u>
Operating expenses:					
Personal services	2,937,679	2,437,671	413,743	5,789,093	1,189,443
Sewage disposal and water charges	8,154,127	-	-	8,154,127	-
Solid waste disposal fees	-	1,375,940	-	1,375,940	-
Claims	-	-	-	-	3,045,470
Materials, supplies, services and other operating expenses	4,797,039	1,620,880	802,834	7,220,753	1,734,979
Depreciation	<u>1,187,905</u>	<u>6,104</u>	<u>26,492</u>	<u>1,220,501</u>	<u>1,064,709</u>
Total operating expenses	<u>17,076,750</u>	<u>5,440,595</u>	<u>1,243,069</u>	<u>23,760,414</u>	<u>7,034,601</u>
Operating loss	<u>(1,119,524)</u>	<u>(636,068)</u>	<u>(343,843)</u>	<u>(2,099,435)</u>	<u>(239,361)</u>
Non-operating revenues (expenses):					
Interest income	263,397	-	177,919	441,316	155,013
Grants	257,830	125	62,092	320,047	-
Interest expense and fiscal charges	(210,088)	-	(226,476)	(436,564)	-
Bond premium (discount)	(4,592)	-	13,298	8,706	-
Bond issuance costs	-	-	(5,287)	(5,287)	-
Miscellaneous	<u>185,241</u>	<u>2,408</u>	<u>38,137</u>	<u>225,786</u>	<u>258,973</u>
Total non-operating revenues	<u>491,788</u>	<u>2,533</u>	<u>59,683</u>	<u>554,004</u>	<u>413,986</u>
Income (loss) before contributions and transfers	<u>(627,736)</u>	<u>(633,535)</u>	<u>(284,160)</u>	<u>(1,545,431)</u>	<u>174,625</u>
Capital contributions	330,295	-	-	330,295	-
Transfers in	-	752,500	148,004	900,504	129,893
Transfers out	<u>(136,756)</u>	<u>(109,103)</u>	<u>(19,106)</u>	<u>(264,965)</u>	<u>(1,206,312)</u>
	<u>193,539</u>	<u>643,397</u>	<u>128,898</u>	<u>965,834</u>	<u>(1,076,419)</u>
Change in net assets	(434,197)	9,862	(155,262)	(579,597)	(901,794)
Net assets, beginning	<u>28,580,828</u>	<u>(539,830)</u>	<u>1,084,353</u>	<u>29,125,351</u>	<u>8,317,437</u>
Net assets, ending	<u>\$ 28,146,631</u>	<u>\$ (529,968)</u>	<u>\$ 929,091</u>	<u>\$ 28,545,754</u>	<u>\$ 7,415,643</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities-
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers, including cash deposits	\$ 15,961,411	\$ 4,762,486	\$ 934,329	\$ 21,658,226	\$ 242,771
Receipt from other funds for quasi-external operating transactions	-	-	-	-	6,403,198
Payments to other funds for quasi-external operating transactions	(3,833,814)	(1,407,571)	(545,290)	(5,786,675)	(9,256)
Gasoline tax refund	-	-	-	-	27,680
Cash payments to suppliers	(9,387,937)	(1,455,878)	(204,929)	(11,048,744)	(1,665,337)
Claim payments	-	-	-	-	(1,503,081)
Cash payments to employees	(2,869,156)	(2,349,995)	(413,619)	(5,632,770)	(1,147,249)
Net cash provided (used) by operating activities	(129,496)	(450,958)	(229,509)	(809,963)	2,348,726
Cash flows from non-capital financing activities:					
Advances from other funds	-	278,929	133,739	412,668	(3,966)
Due to other government units	(3,299)	-	-	(3,299)	-
Operating transfers to/from other funds	(436,242)	643,397	128,898	336,053	(1,226,869)
Grant proceeds	-	-	171,239	171,239	1,050
Net cash provided (used) by non-capital financing activities	(439,541)	922,326	433,876	916,661	(1,229,785)
Cash flows from capital and related financing activities:					
Capital contributions	319,322	-	-	319,322	-
Proceeds from capital debt	-	-	5,705,214	5,705,214	-
Purchase of fixed assets	(761,421)	-	(119,558)	(880,979)	(845,118)
Principal payments - bonds	(450,000)	-	-	(450,000)	-
Principal payments received - capital leases	238,584	-	-	238,584	-
Proceeds from sale of fixed assets	8,500	-	-	8,500	39,560
Grant proceeds	32,981	-	-	32,981	-
Interest paid	(196,413)	-	(114,898)	(311,311)	-
Net cash provided (used) by capital and related financing activities	(808,447)	-	5,470,758	4,662,311	(805,558)
Cash flows from investing activities:					
Proceeds from sale of investments	2,598,330	-	111,408	2,709,738	1,560,000
Purchase of investments	(4,334,582)	-	(5,951,251)	(10,285,833)	(2,160,000)
Interest received	197,497	-	240,466	437,963	155,357
Net cash used by investing activities	(1,538,755)	-	(5,599,377)	(7,138,132)	(444,643)
Net increase (decrease) in cash and cash equivalents	(2,916,239)	471,368	75,748	(2,369,123)	(131,260)
Cash and cash equivalents, beginning (including water and sewer restricted cash of \$3,326,293)	6,156,783	259,185	304,211	6,720,179	3,696,855
Cash and cash equivalents, ending (including water and sewer restricted cash of \$2,647,481)	\$ 3,240,544	\$ 730,553	\$ 379,959	\$ 4,351,056	\$ 3,565,595

See notes to basic financial statements.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Business-type Activities - Enterprise Funds			Governmental Activities-
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Internal Service Funds
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (1,119,524)	\$ (636,068)	\$ (343,843)	\$ (2,099,435)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	1,187,905	6,104	26,492	1,220,501
Other income	119,018	2,408	38,137	159,563
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Customer accounts receivable	101,664	(22,106)	(1,765)	77,793
Customer unbilled accounts receivable	(134,353)	(23,471)	(1,269)	(159,093)
Miscellaneous receivables	(660)	1,128	39	507
Inventories	(330,515)	-	-	(330,515)
Due from other funds	-	-	-	(9,427)
Interfund receivables	-	-	-	(128,321)
Other assets	-	-	-	(247,019)
Increase (decrease) in:				
Accounts payable	(9,719)	5,883	29,395	25,559
Estimated claims payable	-	-	-	12,752
Compensated absences	60,071	78,792	(380)	1,528,387
Interfund payables	44,617	93,816	23,181	35,073
Accrued liabilities	5,058	-	(37)	14,784
Accrued payroll deductions	3,394	8,884	541	3,096
Due to other funds	18,187	33,672	-	4,026
Customer deposits	(74,639)	-	-	4,148
Total adjustments	990,028	185,110	114,334	(74,639)
Net cash provided (used) by operating activities	\$ (129,496)	\$ (450,958)	\$ (229,509)	\$ (809,963)
				\$ 2,348,726

Non-cash investing, capital and financing activities:

During 2002, the Water and Sewer Utility Fund received contributed assets from developers valued at \$68,200.

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2002

ASSETS

Cash and short-term investments	\$ 2,020,329
Pension investments	63,661,748
Receivables:	
Accrued interest and dividends	421,595
Intergovernmental	78,472
Pension contributions	106,415
Receivable on investments sold	240,320
Other	<u>58,224</u>
Total assets	<u>66,587,103</u>

LIABILITIES AND NET ASSETS

Accounts payable	57,599
Benefits payable	40,257
Payable to broker for investments purchased	<u>784,068</u>
Total liabilities	<u>881,924</u>
Net assets held in trust for pension benefits	<u>\$ 65,705,179</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

ADDITIONS

Contributions:

Employer	\$ 492,001
Employee	1,546,681
Other	<u>31,482</u>
Total contributions	<u>2,070,164</u>

Investment income (loss):

Net depreciation in fair value of investments	(7,615,476)
Interest	1,732,660
Dividends	<u>630,992</u>
	(5,251,824)
Less investment expenses	<u>406,995</u>
Net investment loss	<u>(5,658,819)</u>
Total additions	<u>(3,588,655)</u>

DEDUCTIONS

Benefits paid	7,356,151
Administrative expenses	<u>188,218</u>
Total deductions	<u>7,544,369</u>

Net decrease in net assets (11,133,024)

Net assets, beginning 76,838,203

Net assets, ending \$ 65,705,179

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami, Florida (the City), located in Miami-Dade County, was incorporated in 1926. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, solid waste, stormwater management, culture and recreation including library services, community planning and development and water and sewer utility.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2002, the City early implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units. The City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The Museum of Contemporary Art, Inc. (MoCA) is a not-for-profit corporation. The City Council has the ability to remove members of the governing board of MoCA for cause. Additionally, MoCA is fiscally dependent on the City. MoCA is presented in a separate column as a governmental fund type in the government-wide financial statements. Complete financial statements for MoCA can be obtained directly from their administrative offices: Museum of Contemporary Art, Inc., 770 N.E. 125th Street, North Miami, Florida 33161.

Other Component Unit

The City of North Miami Health Facilities Authority was created pursuant to state statute to issue special obligation debt for capital improvements on certain health facilities located within and outside the City limits. The debt is supported solely from revenues generated by said facilities and does not constitute an obligation of the City or the Authority. The Authority receives no revenues and makes no disbursements. Because there are no assets,

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Other Component Unit (Continued)

liabilities or results of operations to report, no disclosure other than this description is made. The North Miami Health Facilities Authority is a component unit because the sole activity in which it engages, i.e., the issuance of revenue bonds to finance health care facilities, is subject in each instance to the approval of the City Council. In addition, the City Council is responsible for appointing the members of the Board of the Authority.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from its legally separate component unit (MoCA) for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewer Utility Fund* accounts for the costs of providing water treatment and distribution service, and sewage treatment to all areas within the City limits and certain districts outside the City limits.

The *Solid Waste Services Fund* accounts for the City's sanitation operations including recycling and animal control services.

The *Stormwater Utility Fund* accounts for improvements to the City's stormwater systems and pollution from stormwater runoff.

Additionally, the City reports the following fund types:

Internal Service Funds account for the cost of insuring the City in the areas of workers' compensation and general liability risks, group health and life benefits and provide fleet management services to other departments on a cost reimbursement basis.

The *Pension Trust Funds* (CTS Plan and 748 Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its employees.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes with the exception of local option fuel taxes. Proceeds from local option fuel taxes are used to fund transportation related expenditures and therefore are reported as *program revenues* under the function "highways and streets".

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste services and stormwater utility funds and of the City's internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of a collateralized interest on public funds checking account and investments with the State Board Investment Pool.

Resources of all funds, with the exception of the pension trust funds and certain other cash and investment accounts, which are maintained in accordance with legal requirements, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated based upon equity balances of the respective funds.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

Short-term investments, except the State Board Investment Pool, are reported at cost, which approximates fair value. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool) which is fair value.

The nature of investments is governed by the provisions of Florida Statutes Section 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the local government surplus funds trust fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as "due to/from other funds" (current portion) or "interfund receivables/payables" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Inventories

Inventories of materials and supplies in the General Fund are recorded as expenditures when purchased (purchase method) and are stated at cost. Inventory in the Proprietary Funds consists of supplies held for consumption and are stated at the lower of cost or market and are recorded as an expense when consumed (consumption method). All inventories are recorded on a first-in, first-out (FIFO) basis.

4. Restricted assets

In 1963, 1964, and 1965, the City issued water and sewer revenue refunding and improvement bonds to make improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds. The ordinances require that certain resources be set aside for interest and principal repayment on these bonds and to maintain an aggregate balance equal to the maximum amount of principal and interest coming due in any succeeding year for all issues outstanding. These balances were

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Restricted assets (Continued)

maintained during fiscal year 2002, in accordance with applicable bonds covenants, and are classified as restricted assets. In addition, the water and sewer ordinances require that certain funds be established and specifies the order in which pledged proceeds are to be deposited into these funds. Accordingly, the Water and Sewer Renewal and Replacement Fund was established to set aside resources for capital expenditures related to renewal and replacement of the City's water and sewer utility. In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council to finance the cost of certain stormwater capital improvement projects. The loan proceeds are classified as restricted assets on the balance sheet, they are maintained in a separate bank account and their use is restricted for specific stormwater capital improvement projects.

5. Capital assets

Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The retroactive reporting of infrastructure for governmental activities is being deferred to a later date. Only the current additions to infrastructure of governmental activities, for which no depreciation is computed in the year of acquisition, are being reported at this time. Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2002.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Utility Plant, Buildings and improvements	10-50
Machinery and equipment	3-10
Infrastructure	5-50
Library books	5

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Compensated absences

It is the City's policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City service. All vacation and sick leave pay is accrued when incurred in the government-wide, and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations occurring within 60 days subsequent to the year-end.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2002, the carrying amount of the City's deposits was \$16,329,138. These deposits consisted of \$5,061,268 in time and demand deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name, \$10,983,123 in a collateralized interest on public funds checking account, and \$284,747 in cash deposits held by a trust department under a master custodian agreement. The funds held in a collateralized interest on public funds checking account and by a trust department under a master custodian agreement are classified as credit risk category 3 as defined by GASB Statement No. 3 (collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

All time and demand deposits are insured through the Federal Depository Insurance Corporation and are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Florida Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Florida Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Florida Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "BBB" or better by Standard & Poor Corporation or "Baa" or better by Moody's bond ratings.

Certain investments are required to be categorized to give an indication of the level of credit risk assumed by the entity at year-end. The three categories of risk as defined by GASB Statement No. 3 are as follows:

- (1) Insured or registered, or securities held by the City or its agent in the City's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	<u>Category 1</u>	<u>Fair Value</u>
U.S. Government securities	\$16,061,209	\$16,061,209
Municipal bonds	727,962	727,962
Corporate bonds	14,187,553	14,187,553
Common stocks	<u>34,339,576</u>	<u>34,339,576</u>
	<u>\$65,316,300</u>	65,316,300
Investments not subject to risk categorization:		
Money market mutual fund		1,564,842
Bond mutual funds		5,631,387
Investment in Local Government Surplus Funds Trust Fund (SBA)		<u>3,307,591</u>
Total investments		<u>\$75,820,120</u>

A reconciliation of cash and investments as shown on the statement of net assets is as follows:

Deposits (including cash and certificates of deposit)	\$16,329,138
Investments	<u>75,820,120</u>
Total deposits and investments	92,149,258
Other cash equivalents	<u>250,044</u>
Total cash, cash equivalents and investments	<u>\$92,399,302</u>
Cash and cash equivalents, primary government	\$ 8,380,259
Restricted assets-cash and cash equivalents, investments, primary government	11,886,966
Investments, primary government	<u>6,450,000</u>
Total, primary government	<u>26,717,225</u>
Pooled cash and cash equivalents, fiduciary funds	2,020,329
Investments, fiduciary funds	<u>63,661,748</u>
Total, fiduciary funds	<u>65,682,077</u>
Grand total	<u>\$92,399,302</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. RECEIVABLES

Receivables as of September 30, 2002 for the City's individual major funds, nonmajor funds, internal service funds and fiduciary funds in the aggregate, including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Storm- water</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Customer's account						
Billed	\$ -	\$1,356,454	\$301,805	\$ 71,624	\$ -	\$1,729,883
Unbilled	-	2,116,462	278,223	29,560	-	2,424,245
Property taxes	78,302	-	-	-	3,262	81,564
Franchise and utility	939,068	-	-	-	-	939,068
Intergovernmental	222,053	-	21,918	77,422	1,119,858	1,441,251
Notes	-	-	-	-	192,324	192,324
Other	<u>104,383</u>	<u>294,154</u>	<u>12,985</u>	<u>-</u>	<u>845,147</u>	<u>1,256,669</u>
Gross receivables	1,343,806	3,767,070	614,931	178,606	2,160,591	8,065,004
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$1,343,806</u>	<u>\$3,767,070</u>	<u>\$614,931</u>	<u>\$178,606</u>	<u>\$2,160,591</u>	<u>\$8,065,004</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Franchise fee	\$ -	\$ 7,393
Occupational licenses	-	265,677
Notes receivable	<u>192,324</u>	<u>-</u>
Total deferred revenue for governmental funds	<u>\$192,324</u>	<u>\$273,070</u>

NOTE 4. PROPERTY TAXES

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following calendar year. Taxpayers also have the option of paying their taxes in advance in equal quarterly payments based on the prior year's tax assessment with quarterly discounts varying between 2% and 6%. All unpaid taxes on real and personal property become delinquent on April 1st and bear interest at 18% until a tax sale certificate is sold at auction. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. PROPERTY TAXES (Continued)

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 2001 upon which the 2001-02 levy was based, was approximately \$1.4 billion. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on general obligation long-term debt. In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. For the year ended September 30, 2002, the tax rate to finance General Fund operations was \$8.500 per \$1,000 of assessed value. The debt service tax rate for the same period was \$0.323 per \$1,000 of assessed value.

Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$78,302 for the General Fund and \$3,262 for the debt service funds.

NOTE 5. NET INVESTMENT IN SALES-TYPE LEASE

On April 17, 1979, the City entered into a sales-type lease agreement with Miami-Dade Water and Sewer Authority retroactive to May 1978. Under the terms of the lease, the City is receiving payments, which will total \$7,071,438 (including interest) through April 2007, for the use of the City's ocean outfall line.

The lease has been accounted for as a capital (sales-type) lease within the Water and Sewer Enterprise Fund. Interest is imputed at a rate of 6½% over the life of the lease. Proceeds received from the lease agreement are to be used for replacement of water and sewer system assets or paid into the Revolving Fund in accordance with the provisions of the Water and Sewer Revenue Bond ordinances.

The future minimum lease payments under this agreement are as follows:

Year ending September 30:	
2003	\$ 238,584
2004	238,584
2005	238,584
2006	238,584
2007	<u>122,925</u>
Total	1,077,261
Less unearned discount	<u>(146,141)</u>
Balance, September 30, 2002	<u>\$ 931,120</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2002 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due from/to other funds:</u>		
General	Solid Waste Services	\$ 490,697
	Nonmajor governmental	247,694
Internal Service	General Fund	171,830
	Water and Sewer	87,630
	Solid Waste Services	74,544
	Stormwater Utility	10,327
	Internal Service	5,954
	Nonmajor governmental	27,986
Nonmajor governmental	Nonmajor governmental	8,314
		<u>\$1,124,976</u>
<u>Interfund receivable/payable:</u>		
Internal Service	General Fund	\$ 667,916
	Water and Sewer	340,202
	Solid Waste Services	275,639
	Stormwater Utility	36,561
	Internal Service	22,006
		<u>\$1,342,324</u>
<u>Advances from/to other funds:</u>		
Internal Service	General Fund	\$ 65,409
	Nonmajor governmental	152,318
	Solid Waste Services	107,943
	Stormwater Utility	133,739
Water and Sewer	Solid Waste Services	299,486
		<u>\$ 758,895</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers:

	Transfers In					
	General Fund	Non Major	Solid Waste	Storm water	Component Unit	Total
Transfers out:						
General fund	\$ -	\$ 784,787	\$315,000	\$ -	\$485,077	\$1,584,864
Nonmajor funds	543,212	25,280	-	-	-	568,492
Water and sewer	-	136,756	-	-	-	136,756
Solid waste	-	109,103	-	-	-	109,103
Stormwater	-	19,106	-	-	-	19,106
Internal service	<u>565,000</u>	<u>55,808</u>	<u>437,500</u>	<u>148,004</u>	-	<u>1,206,312</u>
Total transfers out	<u>\$1,108,212</u>	<u>\$1,130,840</u>	<u>\$752,500</u>	<u>\$148,004</u>	<u>\$485,077</u>	<u>3,624,633</u>

Transfer in of general capital assets:

To internal service funds from existing capital assets	<u>129,893</u>
Total transfers in	<u>\$3,754,526</u>

In the fund financial statements, total transfers in of \$3,754,526 are greater than total transfers out of \$3,624,633 because of the treatment of transfers of capital assets to the internal service fund. During the year existing capital assets related to governmental funds, with a book value of \$129,893, were transferred to internal service funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the internal service funds did report a transfer in for the capital resources received.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2002 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,912,310	\$ 363,256	\$ -	\$25,275,566
Construction in progress	-	1,334	-	1,334
Total capital assets, not being depreciated	<u>24,912,310</u>	<u>364,590</u>	<u>-</u>	<u>25,276,900</u>
Capital assets, being depreciated:				
Buildings and improvements	21,490,198	412,582	-	21,902,780
Infrastructure*	-	1,597,819	-	1,597,819
Machinery and equipment	17,222,061	942,024	(1,031,388)	17,132,697
Library books	<u>1,714,061</u>	<u>141,370</u>	<u>(53,558)</u>	<u>1,801,873</u>
Total capital assets, being depreciated	<u>40,426,320</u>	<u>3,093,795</u>	<u>(1,084,946)</u>	<u>42,435,169</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities: (Continued)				
Less accumulated depreciation for:				
Buildings and improvements	(4,308,942)	(472,823)	-	(4,781,765)
Infrastructure*	-	-	-	-
Machinery and equipment	(11,422,266)	(1,412,180)	1,031,388	(11,803,058)
Library books	<u>(1,426,742)</u>	<u>(86,106)</u>	<u>53,558</u>	<u>(1,459,290)</u>
Total accumulated depreciation	<u>(17,157,950)</u>	<u>(1,971,109)</u>	<u>1,084,946</u>	<u>(18,044,113)</u>
Total capital assets, being depreciated, net	<u>23,268,370</u>	<u>1,122,686</u>	-	<u>24,391,056</u>
Governmental activities capital assets, net	<u>\$ 48,180,680</u>	<u>\$ 1,487,276</u>	<u>\$ -</u>	<u>\$ 49,667,956</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 701,432	\$ -	\$ -	\$ 701,432
Construction in progress	<u>-</u>	<u>125,920</u>	<u>-</u>	<u>125,920</u>
Total Capital assets, not being depreciated	<u>701,432</u>	<u>125,920</u>	<u>-</u>	<u>827,352</u>
Capital assets, being depreciated:				
Buildings/utility plant and improvements	2,967,389	70,490	-	3,037,879
Infrastructure	37,552,024	732,470	-	38,284,494
Machinery and equipment	<u>4,260,870</u>	<u>386,996</u>	<u>(93,266)</u>	<u>4,554,600</u>
Total capital assets, being depreciated	<u>44,780,283</u>	<u>1,189,956</u>	<u>(93,266)</u>	<u>45,876,973</u>
Less accumulated depreciation for:				
Buildings/utility plant and improvements	(1,621,976)	(67,664)	-	(1,689,640)
Infrastructure	(16,383,291)	(909,235)	-	(17,292,526)
Machinery and equipment	<u>(1,820,875)</u>	<u>(243,602)</u>	<u>90,673</u>	<u>(1,973,804)</u>
Total accumulated depreciation	<u>(19,826,142)</u>	<u>(1,220,501)</u>	<u>90,673</u>	<u>(20,955,970)</u>
Total capital assets, being depreciated, net	<u>24,954,141</u>	<u>(30,545)</u>	<u>(2,593)</u>	<u>24,921,003</u>
Business-type activities capital assets, net	<u>\$ 25,655,573</u>	<u>\$ 95,375</u>	<u>\$ (2,593)</u>	<u>\$ 25,748,355</u>

Depreciation expense was charged as functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 181,681
Public safety	367,712
Highways and streets	9,375
Public works	16,408
Community planning and development	18,005
Physical environment	15,280
Culture and recreation	<u>386,426</u>
Subtotal	994,887
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>1,064,709</u>
Total depreciation expense – governmental activities	<u>\$2,059,596</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Business-type activities:	
Water and sewer	\$1,187,905
Solid waste	6,104
Stormwater	<u>26,492</u>
Total depreciation expense – business-type activities	<u>\$1,220,501</u>

*The retroactive reporting of infrastructure for governmental activities is being deferred to a later date. Only the current additions, for which no depreciation is computed in year of acquisition, are being reported at this time.

NOTE 8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2002:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and note payable:					
General obligation bonds	\$ 3,500,000	\$ -	\$ (3,500,000)	\$ -	\$ -
FMLC loan (general obligation)	-	3,335,000	-	3,335,000	275,000
Pension obligation bonds	11,900,000	-	(145,000)	11,755,000	355,000
Note payable	2,000,000	1,600,000	(920,136)	2,679,864	973,103
Unamortized bond premiums/ discount and deferred amount on refunding	<u>-</u>	<u>76,153</u>	<u>(223,794)</u>	<u>(147,641)</u>	<u>-</u>
Total bonds and note payable	<u>17,400,000</u>	<u>5,011,153</u>	<u>(4,788,930)</u>	<u>17,622,223</u>	<u>1,603,103</u>
Other liabilities:					
Compensated absences	6,160,289	-	(53,665)	6,106,624	234,824
Claims and judgments	1,163,000	-	(1,163,000)	-	-
Claims payable (risk)	<u>3,143,730</u>	<u>2,461,270</u>	<u>(933,881)</u>	<u>4,671,119</u>	<u>-</u>
Total other liabilities	<u>10,467,019</u>	<u>2,461,270</u>	<u>(2,150,546)</u>	<u>10,777,743</u>	<u>234,824</u>
Governmental activities long-term liabilities	<u>\$27,867,019</u>	<u>\$7,472,423</u>	<u>\$ (6,939,476)</u>	<u>\$28,399,966</u>	<u>\$1,837,927</u>

The beginning balance has been restated to reflect the exclusion of an estimated liability of approximately \$11.7 million for remediation and final closure of the Interama land tract. In accordance with FASB Statement No. 5, *Accounting for Contingencies*, disclosure of the City's potential continued liability is made in the notes (Note 12) and has not been reflected in the financial statements.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable

General Obligation Bonds/Loan

On May 1, 2002, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$3,335,000 with interest rates on the loan ranging from 3.25% to 5.0%. The purpose of the loan is to currently refund \$3,265,000 of outstanding 1992 General Obligation bonds with interest rates ranging from 5.4% to 6.0%. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A). Principal and interest due on the loan constitute a general obligation refunding bond, as defined in Section 132.34, Florida Statutes.

The FMLC-Series 2002A bonds were issued at a premium (102.383%) and after payment of approximately \$59,000 in underwriting fees, insurance and other issuance costs, the net loan proceeds of approximately \$3,355,000 were used to purchase government securities which were placed in an irrevocable trust with an escrow agent until the bonds were called on July 1, 2002. As a result, the 1992 General Obligation Improvement and Refunding bonds are considered to be legally defeased and therefore the liability for those bonds is no longer disclosed.

As a result of the current refunding, the City reduced its total debt service requirements by approximately, \$233,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$192,000.

Principal and interest on the new debt is payable May 1, 2003 through May 1, 2012.

Debt Service Requirements to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>FMLC Loan- (Series 2002A) General Obligation</u>			
Fiscal year ended September 30:			
2003	\$ 275,000	\$141,175	\$ 416,175
2004	280,000	132,237	412,237
2005	290,000	121,737	411,737
2006	310,000	107,238	417,238
2007	325,000	91,738	416,738
2008-2012	<u>1,855,000</u>	<u>251,600</u>	<u>2,106,600</u>
	3,335,000	845,725	4,180,725
Unamortized premium	76,153	-	76,153
Deferred amount on refunding	<u>(86,277)</u>	<u>-</u>	<u>(86,277)</u>
Total	<u>\$3,324,876</u>	<u>\$845,725</u>	<u>\$4,170,601</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Pension Obligation Bonds

On September 18, 1997, the City issued \$11,900,000 of 1997 Taxable Special Obligation Bonds for the purpose of discharging the unfunded actuarial liabilities of the City's two defined benefit pension plans. By eliminating these unfunded pension liabilities, the City expects to realize an ongoing savings equivalent to the difference between the Pension Plans' 9% per year assumed rate of return and the interest paid on this debt issue. As a result of this action, the City realized a savings at present value of approximately \$1,005,000.

The Bonds, dated September 1, 1997, were issued at a discount and after payment of issuance related costs, the net proceeds were contributed to the Pension Plans to discharge the unfunded liabilities as follows:

CTS Plan	\$10,868,833
748 Plan	<u>544,084</u>
	<u>\$11,412,917</u>

\$4,235,000 of the bonds matured serially beginning on July 1, 2002 and are payable semi-annually on January 1 and July 1. Interest rates on these bonds range from 6.6% to 7.2%. \$7,665,000 are term bonds due on July 1, 2021 and have an interest rate of 7.35%. Interest on all the bonds is payable semi-annually on January 1 and July 1. The principal amount outstanding at September 30, 2002 is \$11,755,000.

Debt service on these bonds is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis. The scheduled payment of principal and interest on the bonds is guaranteed under an insurance policy obtained concurrently with the delivery of the bonds.

Debt Service Requirements to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>1997 Taxable Special Obligation Bonds (Pension)</u>			
Fiscal year ended September 30:			
2003	\$ 355,000	\$ 841,143	\$ 1,196,143
2004	425,000	816,185	1,241,185
2005	505,000	786,137	1,291,137
2006	595,000	750,066	1,345,066
2007	275,000	714,772	989,772
2008-2012	1,935,000	3,200,459	5,135,459
2013-2017	3,180,000	2,356,778	5,536,778
2018-2021	<u>4,485,000</u>	<u>791,595</u>	<u>5,276,595</u>
	11,755,000	10,257,135	22,012,135
Unamortized discount	<u>(137,517)</u>	<u>-</u>	<u>(137,517)</u>
Total	<u>\$11,617,483</u>	<u>\$10,257,135</u>	<u>\$21,874,618</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Note Payable

On August 23, 2000, the City issued a promissory note (Series 2000A) in the principal amount of not to exceed \$9,500,000 to finance the cost of environmental remediation at, and closure of, the City's Munisport landfill site. Under the loan agreement, the City will draw funds as needed and will pay interest on the outstanding principal. Interest rates are variable and are 78% of the LIBOR rate. As of September 30, 2002, the City has received, pursuant to the note, the sum of \$3,600,000. The loan will be repaid from the annual proceeds of the Miami-Dade County grant, with a secondary covenant to budget and appropriate non ad-valorem revenue. As of September 30, 2002 the principal amount outstanding on the note is \$2,679,864.

Debt Service Requirement to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Notes Payable-(Series 2000A)</u>			
Fiscal year ended September 30:			
2003	\$ 980,063	\$19,937	\$1,000,000
2004	1,000,000	-	1,000,000
2005	<u>699,801</u>	<u>-</u>	<u>699,801</u>
	<u>\$2,679,864</u>	<u>\$19,937</u>	<u>\$2,699,801</u>

Other Liabilities

Compensated Absences

Compensated absences represent the portion of the applicable funds total estimated liability for employees' compensation for future absences in accordance with GASB Statement No. 16. The estimated liability includes an accrual for salary related costs (employer's share of social security and medicare taxes). Adjustments were made for employees earning more than the taxable wage base and for certain other exclusions.

The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 50%.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2002:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year (1)</u>
Business-type Activities					
Bonds and Loan Payable:					
Water and Sewer Bonds	\$5,355,000	\$ -	\$(450,000)	\$ 4,905,000	\$465,000
FMLC Loan (stormwater)	-	5,545,000	-	5,545,000	185,000
Unamortized bond premiums and discount	<u>(14,512)</u>	<u>265,958</u>	<u>(8,705)</u>	<u>242,741</u>	<u>-</u>
Total bonds and loan payable	<u>5,340,488</u>	<u>5,810,958</u>	<u>(458,705)</u>	<u>10,692,741</u>	<u>650,000</u>
Other liabilities:					
Compensated absences	<u>1,208,929</u>	<u>138,483</u>	<u>-</u>	<u>1,347,412</u>	<u>-</u>
Total other liabilities	<u>1,208,929</u>	<u>138,483</u>	<u>-</u>	<u>1,347,412</u>	<u>-</u>
Business-type activities					
Long-term liabilities	<u>\$6,549,417</u>	<u>\$5,949,441</u>	<u>\$(458,705)</u>	<u>\$12,040,153</u>	<u>\$650,000</u>

(1) The current portion of the liability for Water and Sewer Bonds of \$465,000 is included on the Statement of Net Assets as liabilities payable from restricted assets.

Bonds and Loan Payable

Water and Sewer Revenue Bonds

In 1963, 1964, and 1965, the City issued \$8,000,000, \$4,850,000 and \$3,300,000, respectively, of Water and Sewer Revenue Refunding and Improvement Bonds to make improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds.

The ordinances require a monthly transfer to restricted asset accounts of amounts equal to one-sixth of the interest becoming due on the next interest payment date and one-twelfth of the amount of principal due on the next payment date. The ordinances also require that the restricted assets include an aggregate balance equal to the maximum amount of principal and interest becoming due in any succeeding year for all issues outstanding. These balances were maintained during fiscal year 2002 in accordance with these requirements.

The ordinances also require that certain funds be established and specify the order in which pledged proceeds are to be deposited into these funds. These funds, and the order of priority in which proceeds are deposited, are as follows: Revenue Fund, Operation and Maintenance Fund, Sinking Funds and Renewal and Replacement Fund.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Loan Payable (Continued)

Water and Sewer Revenue Bonds (Continued)

Cash, investments and accrued interest receivable in the various sinking funds are classified as restricted assets, amounts payable from restricted assets and net assets restricted for retirement of revenue bonds.

The sinking funds recorded in the Water and Sewer Utility Enterprise fund at September 30, 2002, are as follows:

	Restricted <u>Assets</u>	Payable from Restricted <u>Assets</u>	Restricted Net <u>Assets</u>
1963 issue - revenue refunding and improvement bonds	\$ 702,059	\$ 423,321	\$ 278,738
1964 issue - subordinated revenue certificates	2,066,067	14,450	2,051,617
1965 issue - subordinated revenue certificates	1,918,236	91,332	1,826,904
Renewal and replacement fund	<u>1,360,760</u>	<u>494,563</u>	<u>866,197</u>
	<u>\$6,047,122</u>	<u>\$1,023,666</u>	<u>\$5,023,456</u>

Restricted assets consist of the following:

Cash and short-term investments	\$3,514,957
Cash with fiscal agents	32,524
Certificates of deposit	1,100,000
U.S. Government obligations	1,155,397
Accrued interest receivable	6,966
Other receivables	<u>237,278</u>
	<u>\$6,047,122</u>

Payables from restricted assets consist of the following:

Current bond principal	\$ 465,000
Accrued interest payable	32,823
Matured bonds and interest payable	31,280
Performance bonds and deposits	185,557
Other payables	<u>309,006</u>
	<u>\$1,023,666</u>

The ordinances restrict the issuance of additional Water and Sewer bonds ranking on parity with those outstanding, unless the net revenues, exclusive of depreciation, have been equal to 125% of the maximum annual principal and interest requirements on all revenue bonds outstanding for each of the two preceding fiscal years. The net revenues requirements were met in 2001 but not in 2002.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Loan Payable (Continued)

Water and Sewer Revenue Bonds (Continued)

Water and Sewer Revenue Refunding and Improvement Bonds consist of the following at September 30, 2002:

<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Series 1963, 2/1/2003 (annual serial payments of \$365,000 to \$395,000)	3.9%	\$ 395,000
Series 1964, 2/1/2004 (\$2,500,000 due in 2004)	3.0%	2,500,000
Series 1965, 8/1/2005 (annual serial payments of \$65,000 to \$70,000 with \$1,870,000 due in 2005)	5.30%	<u>2,010,000</u>
		4,905,000
Less current portion		(465,000)
Less unamortized discount		<u>(9,919)</u>
Long-term portion		<u>\$4,430,081</u>

Debt Service Requirements to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>1963 Issue-Revenue Refunding and Improvement Bonds</u>			
Fiscal year ended September 30:			
2003	<u>\$ 395,000</u>	<u>\$ 7,703</u>	<u>\$ 402,703</u>
<u>1964 Issue- Subordinated Revenue Certificates</u>			
Fiscal year ended September 30:			
2003	\$ -	\$ 75,000	\$ 75,000
2004	<u>2,500,000</u>	<u>37,500</u>	<u>2,537,500</u>
	<u>\$2,500,000</u>	<u>\$112,500</u>	<u>\$2,612,500</u>
<u>1965 Issue-Subordinated Revenue Certificates</u>			
Fiscal year ended September 30:			
2003	\$ 70,000	\$106,530	\$ 176,530
2004	70,000	102,820	172,820
2005	<u>1,870,000</u>	<u>99,110</u>	<u>1,969,110</u>
	<u>\$2,010,000</u>	<u>\$308,460</u>	<u>\$2,318,460</u>

Stormwater Utility Loan

On November 15, 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000 with interest rates on the loan ranging from 3.25% to 5.25%. The purpose of the loan is to finance the cost of certain stormwater capital improvement projects. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2001A).

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Loan Payable (Continued)

Stormwater Utility Loan (Continued)

The FMLC-Series 2001A bonds were issued at a premium (104.796%) and after payment of approximately \$105,744 in underwriting fees, insurance and other issuance costs, the net loan proceeds of approximately \$5,705,214 were deposited into the Stormwater Utility Fund and are being drawn down as the project progresses. This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax exempt debt to the extent that such income results from investment yield in excess of the bond yield. At September 30, 2002, the accrued rebate liability in connection with the stormwater utility loan was \$62,547 and is reflected on the balance sheet as due to other governmental units.

Principal and interest on the new debt is payable May 1, 2002 through November 1, 2021.

The Stormwater Utility FMLC Loan-Series 2001A consist of the following at September 30, 2002:

<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
FMLC Loan-Series 2001A, 11/1/2021	3.25%-5.25%	\$5,545,000
Less current portion		(185,000)
Unamortized Premium		<u>252,660</u>
Long-term portion		<u>\$5,612,660</u>

Debt Service Requirements to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>FMLC Loan-2001A</u>			
Fiscal year ended September 30:			
2003	\$ 185,000	\$ 264,781	\$ 449,781
2004	180,000	258,850	438,850
2005	185,000	252,225	437,225
2006	195,000	244,137	439,137
2007	205,000	235,138	440,138
2008-2012	1,165,000	1,017,475	2,182,475
2013-2017	1,500,000	680,663	2,180,663
2018-2022	<u>1,930,000</u>	<u>241,825</u>	<u>2,171,825</u>
	5,545,000	3,195,094	8,740,094
Unamortized Premium	<u>252,660</u>	-	<u>252,660</u>
Total	<u>\$5,797,660</u>	<u>\$3,195,094</u>	<u>\$8,992,754</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. SELF-INSURANCE

The City maintains a self-insurance program within the internal service funds. The General Risk Management Fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves. The funding level and estimated claims liability for worker's compensation and general liability for fiscal year 2002 is based on recommended funding requirements for fiscal year 2002 as determined by a self-insurance actuarial review as of September 30, 2001 performed by outside consultants.

The City is exposed to various risks of loss for workers compensation and general liability. The City is exposed to other various risks of loss, related to theft, errors and omissions, for which the City carries commercial insurance.

As of September 30, 2002, the City's risk retention for certain types of risk is as follows:

	<u>Retention/Deductible</u>	<u>Coverage after Retention/Deductible</u>
Self-Insured:		
Workers' Compensation	Self-insured first dollar coverage to \$500,000	
Excess Workers' Compensation	\$500,000	Specific Excess Limit: Statutory Employers' Liability: \$1 million/ \$1 million
General liability (includes automobile)	Self-insured	F.S. 768.28 (\$100,000/individual, \$200,000/occurrence).
Commercial Insurance:		
Property:		
Property, multi-peril	\$5,000	\$28,324,131
Boiler and machinery	\$1,000	\$50,000,000
Flood	Buildings: \$500 to \$1,000 Contents: \$500 to \$750 varies according to facility	Buildings: \$25,000 to \$1,000,000 Contents: \$ 5,000 to \$200,000 varies according to facility
Other:		
Police professional liability	\$15,000/claim \$45,000 annual aggregate	\$2,100,000/person, \$2,200,000/incident, \$2,300,000/aggregate
Public officials' liability	\$50,000	\$1,000,000/loss and aggregate.

The General Risk Management Internal Service Fund consists of the following:

Workers' Compensation

All workers' compensation costs are paid from the self-insurance fund, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. SELF-INSURANCE (Continued)

Workers' Compensation (Continued)

The City purchases specific excess Workers' Compensation insurance coverage for individual claims in excess of \$500,000.

General Liability

Departments of the City are assessed for general and automobile liability coverage based upon the requirements of the self-insurance fund and their relative share of the total risk. The City has continued to purchase certain casualty insurance for which the premium is small in relation to the coverage provided. As the casualty claims are reported, they are investigated by the claims personnel and an estimate of liability on a case-by-case basis is established.

Estimated Claims Liability

The estimated claims liability of \$4,671,119 in the General Risk Management Fund includes estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the estimated claims liability are as follows:

			<u>2002</u>	<u>2001</u>
	<u>Workers'</u>	<u>General</u>	<u>General</u>	<u>Group</u>
	<u>Compensation</u>	<u>Liability</u>	<u>Risk</u>	<u>Health</u>
			<u>Total</u>	<u>Risk</u>
				<u>and Group</u>
				<u>Health Risk</u>
Estimated claims liability at beginning of year	\$2,037,430	\$1,091,300	\$3,128,730	\$ 15,000
Current year claims and changes in estimates (including IBNR)	1,703,570	757,700	2,461,270	(998)
Claim payments	<u>(710,151)</u>	<u>(208,730)</u>	<u>(918,881)</u>	<u>(14,002)</u>
Estimated claims liability at end of year	<u>\$3,030,849</u>	<u>\$1,640,270</u>	<u>\$4,671,119</u>	<u>\$ -</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. SELF-INSURANCE (Continued)

Estimated Claims Liability (Continued)

In 2002, the City, through the General Risk Management Fund, assessed user funds a special premium charge in an amount to fully cover existing operating deficits. The total assessment of \$1,246,083 was allocated as follows:

General Fund	\$ 703,575
Water and Sewer Utility	297,501
Solid Waste Services	168,360
Stormwater Utility	27,923
Fleet Management	20,738
Community Development Block Grant	3,919
Landfill Closure	<u>24,067</u>
Total	<u>\$1,246,083</u>

Additionally, in 2001 and 1992, a special premium charge was assessed to the various funds of which \$474,512 remains outstanding. These charges are being funded over several years, and as such are recorded as interfund receivables/payables (noncurrent portion) and due to/from other funds (current portion) (see Note 6).

During 2002, there were no significant reductions in insurance coverage from coverages in the prior year. During the past three years, there have been no settlements that exceeded insurance coverage.

Group Health Risk Management Internal Service Fund

Group Health

Effective January 1, 1998, the City's self-insured health program was discontinued and the City purchased a fully insured group health/dental plan. Beginning in fiscal year 2000, remaining funds in the Health Insurance Trust fund are being appropriated for the purpose of providing health insurance premiums for City employees. The appropriation of funds is being amortized over a five-year period.

NOTE 10. EMPLOYEE RETIREMENT PLANS

I. Pension Plans Administered by the City of North Miami

a. Plan Descriptions

The City's Public Employee Retirement Systems (PERS) administers two single-employer defined benefit pension plans established to provide pension, disability and death benefits for

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

a. Plan Descriptions (Continued)

its employees and beneficiaries: Clair T. Singerman Employees' Retirement System Plan (CTS Plan) and Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 (748 Plan). The CTS Plan was established by Ordinance 691 effective January 1, 1968. On January 1, 1977, the City froze future participation in the CTS Plan and established the 748 Plan by Ordinance 748 for all employees hired after that date and for all employees under the CTS Plan who elected to join the new plan. The Plans cover substantially all City employees under the administration of separate Boards of Trustees.

On April 3, 1994, the City transferred all general employees which were in the 748 Plan to the CTS Plan, thereby limiting 748 Plan participation to sworn police personnel hired after January 1, 1977. The CTS Plan covers police officers hired before January 1, 1977 and all general employees and former North Miami firefighters.

Each of the Plans issue a publicly available report that includes financial statements and required supplementary information for the Plan. These reports may be obtained by writing to: North Miami Employees' Retirement Systems, 776 N.E. 125th Street, North Miami, Florida 33161.

Contributions and Funding Policy

748 Plan

Employees contribute 6.85% of their compensation. Interest is credited annually on employees' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees, but not less than 3%. The interest rate was 2.0% and 3.25% for 2002 and 2001, respectively. Employer contributions for fiscal year ended September 30, 2002 were 4.23% of covered payroll.

CTS Plan

Employees contribute 7% of their compensation. Interest is credited annually on employees' accumulated contributions through the prior year-end. The interest rate, determined by the Board of Trustees, was 2% and 3.75% in 2002 and 2001, respectively. Employer contributions for fiscal year ended September 30, 2002 were 1.74% of covered payroll.

Both Plan's funding policies provide for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost.

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset of the CTS Plan for the current year is as follows:

Annual required contribution	\$ 254,552
Interest on net pension asset	(834,154)
Adjustment to annual required contribution	<u>1,235,036</u>
Annual pension cost	655,434
Contributions made	<u>254,552</u>
Decrease in net pension asset	(400,882)
Net pension asset, beginning of year	<u>9,268,383</u>
Net pension asset, end of year	<u>\$8,867,501</u>

The annual required contribution for the current year was determined as part of the October 1, 1999 actuarial valuation (using the October 1, 2000 covered payroll) and the entry age actuarial cost method for the firefighters and the aggregate actuarial cost method for the general employees and the police officers. The aggregate actuarial cost method does not identify and separately amortize the unfunded actuarial liabilities. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) and (b) projected salary increases of 6-7% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level dollar closed basis. The remaining amortization period was 7 years.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

The net pension assets of the CTS and 748 Plans have been restated to include the proceeds of pension obligation bonds issued in 1997 that were contributed to the CTS and 748 Plans to discharge the unfunded actuarial liabilities as of that date.

The City's annual pension cost and net pension asset of the 748 Plan for the current year is as follows:

Annual required contribution	\$237,449
Interest on net pension asset	(47,827)
Adjustment to annual required contribution	<u>54,161</u>
Annual pension cost	243,783
Contributions made	<u>237,449</u>
Decrease in net pension asset	(6,334)
Net pension asset, beginning of year	<u>531,411</u>
Net pension asset, end of year	<u>\$525,077</u>

The annual required contribution for the current year was determined as part of the October 1, 1999 actuarial valuation (using the October 1, 2000 covered payroll) and the aggregate actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) and (b) projected salary increases of 7% per year. Both (a) and (b) include an inflation component of 4%. The actuarial value of assets was determined using the 5-year smoothed market method. The Plan uses the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities.

Clair T. Singerman Employees Retirement System Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2000	\$976	56.8%	\$9,687
September 30, 2001	672	37.6	9,268
September 30, 2002	655	38.8	8,868

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

Retirement System for Sworn Police Personnel Hired on or After January 1, 1977
Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2000	\$351	98.3%	\$538
September 30, 2001	231	97.2	531
September 30, 2002	244	97.4	525

II. Pension Plan administered by the State of Florida

a. Plan Description

Effective January 2002, the City began participating in the Florida Retirement System (FRS) (Elected Officers' Class), a cost-sharing multiple employer defined benefit pension plan (PERS) administered by the State of Florida. This Plan provides retirement, disability, and death benefits to elected officials of the City of North Miami and their beneficiaries. The FRS is administered by the State of Florida. Benefits vest after six years of credited service and are computed on the basis of service credit, average final compensation, and the percentage value earned for each year of service credit. The percentage value for service in the Elected Officers' Class is 3% per year of service. FRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. Copies of the report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

Contributions and Funding Policy

The City's required contribution rate is established by State statute. Effective July 1, 2002, the contribution rate was 11.86% of covered payroll. Prior to July 1, 2002, the rate was 15.14%. The City's contribution to the State of Florida Retirement System (Elected Officers' Class) for the fiscal year ending September 30, 2002 was \$1,853 and was equal to the required contribution for the year.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB Statement No. 24, the City recognized revenues and expenditures in the amount of \$179,068 as on behalf payments for contributions of these premiums into the Plan.

The Plan issues a publicly available report that includes financial statements and required supplementary information. This report may be obtained by writing to: City of North Miami Police Department, 700 N.E. 124th Street, North Miami, Florida 33161.

The City administers the City of North Miami Department Managers' Pension Plan, an IRS Section 403(a) defined contribution pension plan for department managers. This Plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council. During fiscal year 2002, the City contributed approximately \$118,985 into this Plan which is administered through a third party administrator.

NOTE 12. CONTINGENCIES

a. Environmental Matters (Biscayne Landings, f/k/a Munisport/Interama)

(i) Historical Background

In 1970, the City acquired 350 acres of land (n/k/a Biscayne Landings), for approximately \$11,800,000, from the proceeds of \$12,000,000 General Obligation Bonds, issued to provide financial assistance to the Inter-American Center Authority (Interama), an agency established by the State of Florida to develop an international cultural and trade center for the Americas. The project never materialized. Interama has never repaid the City for the bond proceeds. The City subsequently entered into a 30-year lease agreement with a company formed to develop a recreation project on the Interama Land. The company subsequently operated a portion of the property as a dumpsite, and the property has since been the subject of controversy arising principally from site related environmental issues involving the City, the company, various governmental agencies and others, which controversy has restricted its use and development. Accordingly, the recreation project was never completed and the company abandoned the premises.

In 1981, the Florida Department of Environmental Regulation (DER) filed a suit against the City to close the portion of the land, which was operated as a dumpsite (landfill). The landfill has not operated since 1980 and the City, State and D.E.R.M. have been working together to produce a closure plan.

Initially, approximately 291 acres of the land was included on the National Priorities List (NPL), pursuant to Section 105 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA).

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landings, f/k/a Munisport/Interama) (Continued)

(i) Historical Background (Continued)

A final Remedial Investigation Report and a Feasibility Study Report were published by EPA in 1988. The EPA issued its Record of Decision on this study, dated July 26, 1990 which reduced the size of the site to remain on the NPL to 33+ acres. The specific 33+ acres are described in a Consent Decree negotiated between the City and the EPA. The Consent Decree was approved by the Court in March 1992. In September 1997, the EPA's Record of Decision was amended to indicate that no further remedial action was required by the City. The EPA issued a certificate of completion on June 3, 1998. The consent decree was dismissed and the land was removed from the National Priorities List during 1999.

(ii) Recent Studies and Developments

On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management (DERM) to carry out groundwater remedial measures required by Florida law and County ordinance. The Consent Agreement anticipates that the Florida Department of Environmental Protection (FDEP) will delegate to DERM oversight of the landfill closure activities, in order to bring all regulatory controls under the auspices of a single agency.

During 2002, the City incurred approximately \$1,192,000 in site closure costs, which are reported in the Landfill Closure fund. Approximately \$363,000 in capital outlays were expended and capitalized as costs to the land.

Pursuant to a Superfund Remediation and Landfill Closure Cost Projection completed in 1999, and updated through fiscal year 2001, the City estimated its liability at approximately \$11.7 million. In December 2002, subsequent to fiscal year end, the City entered into a Development Agreement for the site. The agreement initiated a two-year period during which development approvals for the developer's proposed project will be sought by both parties, and following the date that final approvals are obtained the developer will assume the City's responsibilities to comply with administrative orders and environmental laws. The City's environmental liability will cease at that time, and be further protected by the developer's agreement to indemnify, hold harmless and defend the City. In accordance with FASB Statement No. 5, *Accounting for Contingencies*, disclosure of the City's potential continued liability is being made in the notes and has not been reflected in the financial statements.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landings, f/k/a Munisport/Interama) (Continued)

(iii) Revenue Sources

(a) State Assistance (Grants/Contracts):

A portion of the required final study and design work for the remediation of the 33+ acre site was funded through a contract between the City and DER, dated November 1990, at a total anticipated cost not to exceed \$1.4 million. The work plan for this study included a portion of the plans required by the EPA's scope of work, as adopted as a component of the Consent Decree entered into between the EPA and the City. The joint State/City effort related to the site again continued when the City successfully petitioned the Florida Legislature for funding assistance toward the actual Superfund site remedial construction in the 1992 legislative session and received a legislative commitment for a \$2.6 million grant via Chapter 92-30 Laws of Florida. The City has recognized approximately \$3,858,000 in revenues from these sources.

(b) Other State Assistance:

The City's continued success in obtaining assistance from the State of Florida is based on the fact that the State did not repay the City for the 1970 bond proceeds. The 1989 Florida Legislature provided some assistance to the City via adoption of H.B. 709 Chapter 89-246, Laws of Florida, which gave certain surplus State lands at the site to the City. The deed for the lands was received by the City in December 1989. On the May 1990 election ballot, the City's voters approved the sale of these lands. All parcels have been sold. The sale of these lands produced \$3,671,712 in revenues.

(iv) Other Revenue Sources

(a) Litigation against Potentially Responsible Parties:

In 1994, the City recovered \$900,000 and the 30-acre Bessemer parcel from the former dumpsite operation. The value of the land received in the settlement was estimated at \$500,000.

To date, the City has recognized approximately \$1,946,000 in litigation proceeds, in addition to the parcel of land.

(b) Proceeds from Issuance of Capital Improvement Revenue Bonds:

During 1996, the City issued approximately \$4.5 million in Capital Improvement Revenue Bonds to fund a portion of the cost of the Superfund Remedy and the final closure of the property. The bonds matured and were paid off in December 2000.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landings, f/k/a Munisport/Interama) (Continued)

(iv) Other Revenue Sources (Continued)

(c) Proceeds from Issuance of Promissory Note:

During 2000, the City issued a promissory note in the principal amount of not to exceed \$9,500,000 to finance the cost of environmental remediation at and closure of the City's landfill site. To date, the City has received, pursuant to the Note, the sum of \$3,600,000. The loan will be repaid from the annual proceeds of the Miami-Dade County grant, with a secondary covenant to budget and appropriate non ad-valorem revenue. As of September 30, 2002 the principal amount outstanding on the note is approximately \$2,680,000.

(d) Grant Agreement:

The City entered into a Grant Agreement with Miami-Dade County, Florida for a twenty year term in which the County has agreed to provide an annual grant to the City not to exceed \$1,000,000 which commenced on October 1, 1996 and thereafter each year during the term of the Agreement. Grant funds will be utilized solely to pay the cost of the remedial action and the final closure of the Munisport site, including principal and interest on the Note described above.

(v) Overall Outlook

In the final analysis, it is the inherent and useable value for the City's property that disperses the potential for an ultimate loss concerning the environmental matters. For example, the 27 acres of City property located north of 151st Street was sold to Miami-Dade County for \$1.62 million, while taking into consideration the wetland status of the property. This sale was closed in August 1993. A 1992 preliminary appraisal of a northwestern 104-acre portion of the 170-acre landfill reflects an estimated value of \$8 million. The City, in March 2001, retained an independent real estate and appraisal firm to provide a market and valuation analysis of the property based upon a best use of the site. The firm concluded that "optimum developed land value of the site "As If Developed" is concluded at \$500,000 per acre or \$11.50 per square foot average for the net developable acreage...." In April 2001, the City Council authorized the issuance of a solicitation for the development of the Munisport Landfill site and in April 2002 designated a developer with whom the City commenced negotiation of a Development Agreement. The Development Agreement was ultimately executed on December 13, 2002. The agreement contemplates the development of the site with the City receiving income from an annual ground lease and from the value of the leasehold interest of the site. It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site may be offset by the future use of the land.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 12. CONTINGENCIES (Continued)

b. Other

The City was a defendant in a civil action for breach of contract to recover damages in excess of \$500,000, plus attorneys' fees, pre-judgment and post judgment interest, and costs. This action arose in connection with services allegedly rendered by plaintiff, an engineering firm, relating to the site. In 2000, a judgment was entered against the City for \$556,235 in damages and prejudgment interest. During fiscal year 2000, the City paid to the plaintiff \$380,383 on the final judgment, the judgment was appealed, and the City reserved rights to recover that amount. Additionally, the plaintiff sought approximately \$1.4 to \$2 million for attorney's fees, post judgment interest and costs. Following a determination of entitlement to attorney's fees, in 2001, the district court judge entered an order awarding \$923,558 as fees and \$63,175 in costs for a total of \$986,733. That order was appealed. On March 1, 2002 the U.S. Court of Appeals for the Eleventh Circuit issued final judgment, providing some relief to the City, but substantially ruling in favor of the plaintiff. Subsequent to the final judgment, the City and the plaintiff entered into a Settlement Agreement in the amount of \$1.25 million. Under the agreement, the City paid \$750,000 to the plaintiff on April 1, 2002 with the payment of the balance of \$500,000 scheduled for fiscal year 2003. Accordingly, the City has recorded at September 30, 2002 a liability in the General Risk Management Fund of \$403,000 and \$97,000 in the Landfill Closure Fund. The \$500,000 balance was subsequently paid on November 29, 2002.

The City is a defendant in several additional lawsuits as of September 30, 2002, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

c. Contingent Liabilities

Federal and State programs in which the City participates were audited in accordance with the provisions of the Federal Single Audit Act, the U.S. Office of Management and Budget Circular A-133, and the Florida Single Audit Act. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

NOTE 13. POST EMPLOYMENT BENEFITS

In addition to pension benefits described in Notes 10 and 11, the City offers post retirement health care and group term life insurance benefits to all retirees who elect to pay the associated premiums and receive the benefits. Retirees can insure eligible dependents. The premium cost is paid entirely by the retirees and is at the same group rate as that charged to City employees. In fiscal year 2002, there were approximately 43 health and dental retiree members and approximately 103 life insurance members.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. POST EMPLOYMENT BENEFITS (Continued)

In accordance with the October 1, 1994 Police Bargaining Agreement between the City of North Miami and the Dade County Police Benevolent Association, the City pays the full cost of health insurance premiums for children and minor dependents of officers killed in the line of duty, provided they were covered by the City's health insurance plan at the time of the officer's death. The coverage continues until such children/minor dependents attain the age of 18 or the age of 25 for full-time students. Currently, 3 children/minor dependents meet those eligibility requirements.

In fiscal year 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Nine employees took advantage of this incentive. The annual budget includes premiums for this group of employees and for children/minor dependents of officers killed in the line of duty. Fiscal year 2002 expenditures for these benefits totaled \$65,254 and \$11,185, respectively.

Since October 1, 1997, the City provides paid group health insurance premiums until age 65, for elected officials of the City who have served a minimum of eight years and their tenure as an elected official commenced after May 1991.

In addition, since October 2000, the City provides paid group health insurance premiums for any former member of the Administrative Staff who has completed ten years or more of satisfactory service to the City in an administrative position or has completed 25 years or more of satisfactory service with the City.

NOTE 14. NON-COMMITMENT DEBT

Health Care Facilities Revenue Bonds

In November 1998, the City issued \$25,040,000 in Health Care Facilities Revenue Bonds to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation for the purpose of currently refunding the \$20,515,000 principal amount outstanding of City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1992 and to provide financing for the cost of certain additional capital improvements to the health care facility. The Imperial Club is an independent elderly living facility located within the geographic boundaries of the County. The City has recorded a receivable of \$48,779 for the FY02 annual administrative fee.

Educational Facilities Revenue Bonds

In November 1999, the City issued \$6,000,000 in Educational Facilities Revenue Bonds to provide financial assistance to Miami Country Day School, Inc., a not-for-profit corporation, for the cost of construction improvements, additions, and renovations to an educational facility, known as Miami Country Day School. In 2002, the City received an annual administrative fee of \$5,650.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 14. NON-COMMITMENT DEBT (Continued)

Educational Facilities Revenue Bonds (Continued)

In January 1994, the City issued \$23,640,000 in Educational Facilities Revenue Bonds to provide financial assistance to Johnson & Wales University, a non-profit corporation, for the acquisition and renovation of facilities to accommodate the University's post-secondary culinary arts program in the City of North Miami. In 2002, the City received an annual administrative fee in the amount of \$23,640.

Debt Outstanding

The City acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding as of September 30, 2002 was \$24,800,000, \$5,400,000 and \$23,640,000 respectively.

NOTE 15. SUBSEQUENT EVENTS

In October 2002, the City issued \$14.7 million in Taxable Special Obligation Refunding Bonds Series 2002 (variable rate demand bonds) for the purpose of current refunding \$11.7 million of outstanding 1997 Taxable Special Obligation Bonds with interest rates ranging from 6.6% to 7.35%. Simultaneously, the variable rate bonds were converted to a fixed rate with an interest rate swap matching the original debt service on the 1997 bonds.

In December 2002, the City entered into a Development Agreement for the former Munisport site. Additional information can be found in Note 12 of the notes to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes:				
Property taxes	\$ 11,204,354	\$ 11,204,354	\$ 11,313,624	\$ 109,270
Sales and use taxes	870,482	870,482	898,208	27,726
Franchise fees	4,045,052	4,045,052	4,741,489	696,437
Utility service taxes	2,430,300	2,430,300	2,428,414	(1,886)
	<u>18,550,188</u>	<u>18,550,188</u>	<u>19,381,735</u>	<u>831,547</u>
Licenses and permits:				
Business licenses and permits	488,300	488,300	488,453	153
Construction permits	359,800	359,800	437,235	77,435
	<u>848,100</u>	<u>848,100</u>	<u>925,688</u>	<u>77,588</u>
Intergovernmental:				
State revenue sharing	1,444,284	1,444,284	1,378,925	(65,359)
Grants	1,969,201	1,969,201	227,478	(1,741,723)
Other state and local revenues	3,586,210	3,586,210	3,589,636	3,426
	<u>6,999,695</u>	<u>6,999,695</u>	<u>5,196,039</u>	<u>(1,803,656)</u>
Charges for services:				
Public safety	27,500	27,500	26,325	(1,175)
Culture/recreation	400,850	400,850	327,238	(73,612)
Internal charges	4,567,891	4,567,891	4,567,891	-
Other	196,525	196,525	218,248	21,723
	<u>5,192,766</u>	<u>5,192,766</u>	<u>5,139,702</u>	<u>(53,064)</u>
Fines and forfeitures	<u>304,076</u>	<u>304,076</u>	<u>445,051</u>	<u>140,975</u>
Other:				
Interest	252,618	252,618	122,059	(130,559)
Other	280,108	280,108	383,156	103,048
	<u>532,726</u>	<u>532,726</u>	<u>505,215</u>	<u>(27,511)</u>
Total revenues	<u>\$ 32,427,551</u>	<u>\$ 32,427,551</u>	<u>\$ 31,593,430</u>	<u>\$ (834,121)</u>

(Continued)

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Expenditures:				
Current:				
General Government:				
Mayor and council	\$ 231,931	\$ 285,317	\$ 272,155	\$ 13,162
City manager	882,221	1,096,468	1,045,125	51,343
City clerk	244,779	244,779	238,641	6,138
Finance	1,506,139	1,506,139	1,420,784	85,355
Legal	567,487	565,476	516,054	49,422
Personnel	554,065	721,065	646,894	74,171
Administrative services	918,105	920,058	844,282	75,776
Non-departmental:				
Intragovernment charges for insurance	3,125,414	3,040,847	2,902,788	138,059
Employee benefits	3,064,166	2,653,983	2,574,081	79,902
Other	<u>567,757</u>	<u>581,249</u>	<u>647,132</u>	<u>(65,883)</u>
Total general government	<u>11,662,064</u>	<u>11,615,381</u>	<u>11,107,936</u>	<u>507,445</u>
Public works	1,915,850	1,918,506	1,855,933	62,573
Public safety	10,862,442	11,068,950	10,993,123	75,827
Parks and recreation	5,304,008	5,305,461	4,861,287	444,174
Library	722,685	706,524	637,982	68,542
Museum	511,592	461,192	431,185	30,007
Community planning and development	2,061,434	2,068,729	1,750,954	317,775
Grant/aids	367,848	423,428	404,393	19,035
Capital outlay	<u>2,193,022</u>	<u>2,032,774</u>	<u>810,542</u>	<u>1,222,232</u>
Total expenditures	<u>35,600,945</u>	<u>35,600,945</u>	<u>32,853,335</u>	<u>2,747,610</u>
Deficiency of revenues over expenditures	<u>(3,173,394)</u>	<u>(3,173,394)</u>	<u>(1,259,905)</u>	<u>1,913,489</u>
Other financing sources (uses):				
Transfers in	1,527,281	1,527,281	1,108,212	(419,069)
Transfers out	<u>(1,138,894)</u>	<u>(1,138,894)</u>	<u>(1,138,883)</u>	<u>11</u>
Total other financing sources (uses)	<u>388,387</u>	<u>388,387</u>	<u>(30,671)</u>	<u>(419,058)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	<u>\$ (2,785,007)</u>	<u>\$ (2,785,007)</u>	<u>(1,290,576)</u>	<u>\$ 2,332,547</u>
Net change in fund balance			<u>\$ (1,290,576)</u>	

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2002

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances and special insurance premium assessments in the General Fund and for all governmental funds (nonmajor funds). Additionally, interfund loans between funds are budgeted as operating transfers.

- (1) 35 days prior to fiscal year end, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers in the General Fund is legally maintained at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- (3) Prior to September 28th (unless preempted by TRIM) as stated in the City's Charter, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the City Manager and within the last three months of the budget year, the Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (5) Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 2002. There were no supplemental appropriations during fiscal year ended September 30, 2002.
- (6) Unencumbered appropriations lapse at year-end.

NOTE 2. RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

The following adjustments were necessary to present the actual data on a budgetary basis at September 30, 2002:

	<u>General Fund</u>
Net change in fund balance (GAAP)	\$(1,830,313)
September 30, 2001 encumbrances budgeted as 2001 expenditures	153,121
September 30, 2002 encumbrances budgeted as 2002 expenditures	(283,902)
Special insurance premium not budgeted in 2002	703,575
Interfund loans budgeted as operating transfers	<u>(33,057)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses - (budgetary basis)	<u><u>\$(1,290,576)</u></u>

CITY OF NORTH MIAMI, FLORIDA
CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry <u>Age (b)</u>	Unfunded AAL (UAAL) (1) <u>(b-a)</u>	Funded Ratio <u>(a÷b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)÷c)</u>
October 1, 1997	\$ 52,072,871	\$ 52,298,792	\$ 225,921	99.6%	\$ 13,043,842	1.7%
October 1, 1999	58,875,802	56,780,548	(2,095,254)	103.7%	14,139,623	(14.8%)
October 1, 2001	62,110,336	59,943,465	(2,166,871)	103.6%	14,453,082	(15.0%)

(1) During fiscal year 1997, the City issued pension obligation bonds to cover the UAAL. The remaining balance of \$225,921 as of October 1, 1997 represents the unfunded actuarial accrued liability for the firefighters. Contributions towards funding this liability are made by Miami-Dade County and the State of Florida.

**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT – This fund is used to account for expenditures of federal funds to provide decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

BISCAYNE BOULEVARD IMPROVEMENT – This fund is used to account for miscellaneous revenues from code violations, impact fees and miscellaneous billings that are restricted to expenditures for specific current operating purposes.

LANDFILL CLOSURE – This fund is used to account for monies required to close the Munisport site (Interama).

POLICE TRAINING – This fund is used to account for expenditures of state police training funds on behalf of the City of North Miami police officer training.

LOCAL HOUSING ASSISTANCE (SHIP) – This fund is used to account for state funds provided for the creation of local housing partnerships, to expand production of and preserve affordable housing, to further the housing element of the local government comprehensive plan specific to affordable housing and to increase housing-related employment.

BUSINESS ASSISTANCE LOAN – This fund is used to account for CDBG funds provided as loans to local businesses. These loans are for the retention and expansion of business and industry in the City of North Miami and the creation and retention of permanent private sector job opportunities principally for persons of low and moderate income.

DOWNTOWN INCENTIVES – This fund was created in fiscal year 2002 to provide grants for capital expenditures for eligible businesses and to assist new eligible businesses with rental agreement commitments.

LAW ENFORCEMENT — This fund is used to account for confiscated monies awarded to the City under State Statutes to be used for law enforcement related expenditures.

FEDERAL FORFEITURE — This fund is used to account for confiscated monies that involve the City's Police department and federal agencies.

LAW ENFORCEMENT BLOCK GRANT — This fund is used to account for the City's entitlement under the local law enforcement block grant program.

DEBT SERVICE FUNDS

The **DEBT SERVICE FUNDS** are used to account for the accumulation of resources and payment of general obligation loan principal and interest from governmental resources and special obligation bond principal and interest when the government is obligated in some manner for the payment.

FMLC LOAN (GENERAL OBLIGATION)— This fund is used to account for monies for payment of principal, interest, and other costs related to the loan agreement with the Florida Municipal Loan Council. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A) and used to currently refund the 1992 General Obligation bond issuance. Debt service is financed primarily by ad valorem taxes.

1997 TAXABLE SPECIAL OBLIGATION BONDS PENSION FUNDING PROJECT (PENSION OBLIGATION BONDS) — This fund is used to account for monies for payment of principal, interest and other costs related to the 1997 taxable special obligation bonds series (pension funding project) issued for the purpose of discharging the unfunded actuarial liabilities as of October 1, 1997 of both the CTS and 748 pension plans and to pay bond issuance costs. Debt service is financed by non-ad valorem funds budgeted and appropriated by the City on an annual basis.

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

SAFE NEIGHBORHOOD PARKS - This fund is used to account for the receipt and expenditure of funds from the County's parks bond issue.

CITY OF PROGRESS CAPITAL IMPROVEMENT - This fund is used to account for expenditures related to miscellaneous capital projects.

POLICE BUILDING - This fund was established to account for expenditures to construct and equip the new police facilities. The building was dedicated on June 20, 1997. This fund was closed as of October 1, 2001, with a fiscal year 2002 transfer to the General Fund.

TRANSPORTATION GAS TAX - This fund is used to account for expenditures for implementing transportation related capital improvements. The local option gas tax is a county imposed tax, collected by the State of Florida, and distributed back to counties and municipalities based on the interlocal agreement in effect for that year.

CITY OF NORTH MIAMI, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

		Special Revenue									
		Local									
	CBDG Entitlement	Biscayne Boulevard Improvement	Landfill Closure	Police Training	Housing Assistance (SHIP)	Business Assistance Loan	Downtown Incentives	Law Enforcement	Federal Forfeiture	Law Enforcement Block Grant	Total
Cash and cash equivalents	\$ -	\$ 6,058	\$ 68,017	\$ 2,852	\$ 482,799	\$ 18,871	\$ 92,720	\$ 120,899	\$ 121,760	\$ 316,031	\$ 1,230,007
Investments	-	-	-	-	250,000	-	-	200,000	50,000	100,000	600,000
Receivables	457,470	-	575,314	-	40,083	89,424	-	2,269	78	157	1,164,795
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	495	-	-	-	3,275	-	-	3,770
Total assets	\$ 457,470	\$ 6,058	\$ 643,331	\$ 3,347	\$ 772,882	\$ 108,295	\$ 92,720	\$ 326,443	\$ 171,838	\$ 416,188	\$ 2,998,572
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued liabilities	\$ 47,458	\$ -	\$ 126,274	\$ 1,250	\$ 13,422	\$ -	\$ 826	\$ 20,918	\$ 6,863	\$ 66,879	\$ 283,890
Contracts and retainage payable	92,564	-	-	-	-	-	-	-	-	-	92,564
Due to other funds	214,548	-	24,067	-	-	-	-	-	-	-	238,615
Due to other governments	-	-	-	-	-	378	-	-	-	-	378
Advances from other funds	-	-	-	-	-	-	-	152,318	-	-	152,318
Deferred revenue	102,900	-	-	-	-	89,424	-	-	-	-	192,324
Total liabilities	457,470	-	150,341	1,250	13,422	89,802	826	173,236	6,863	66,879	960,089
Fund balances:											
Reserved for encumbrances	-	-	88,148	-	-	-	-	4,740	62,093	31,320	186,301
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Designated for subsequent year's expenditures	-	6,058	-	-	672,635	18,493	91,894	148,467	102,882	267,234	1,307,663
Undesignated	-	-	404,842	2,097	86,825	-	-	-	-	50,755	544,519
Total fund balances	-	6,058	492,990	2,097	759,460	18,493	91,894	153,207	164,975	349,309	2,038,483
Total liabilities and fund balances	\$ 457,470	\$ -	\$ 643,331	\$ 3,347	\$ 772,882	\$ 108,295	\$ 92,720	\$ 326,443	\$ 171,838	\$ 416,188	\$ 2,998,572

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

	<u>Debt Service</u>		<u>Capital Projects</u>						Total Nonmajor Governmental Funds
	FMLC-Loan General Obligation	Pension Obligation Bonds	Safe		City of Progress		Total		
			Neighborhood Parks	Total	Improvement Capital	Police Building	Transportation Gas Tax		
<u>ASSETS</u>									
Cash and cash equivalents	\$ 40,227	\$ -	\$ 40,227	\$ -	\$ 540,477	\$ -	\$ 203,643	\$ 744,120	\$ 2,014,354
Investments	-	-	-	-	600,000	-	500,000	1,100,000	1,700,000
Receivables	3,262	-	3,262	8,314	1,383	-	62,371	72,068	1,240,125
Due from other funds	-	-	-	-	8,314	-	-	8,314	8,314
Other assets	-	-	-	-	-	-	-	-	3,770
Total assets	\$ 43,489	\$ -	\$ 43,489	\$ 8,314	\$ 1,150,174	\$ -	\$ 766,014	\$ 1,924,502	\$ 4,966,563
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable and accrued liabilities	\$ 6,293	\$ -	\$ 6,293	\$ -	\$ -	\$ -	\$ 128,040	\$ 128,040	\$ 418,223
Contracts and retainage payable	-	-	-	-	-	-	23,172	23,172	115,736
Due to other funds	-	-	-	8,314	37,065	-	-	45,379	283,994
Due to other governments	-	-	-	-	-	-	-	-	378
Advances from other funds	-	-	-	-	-	-	-	-	152,318
Deferred revenue	-	-	-	-	-	-	-	-	192,324
Total liabilities	6,293	-	6,293	8,314	37,065	-	151,212	196,591	1,162,973
Fund balances:									
Reserved for encumbrances	-	-	-	-	-	-	285,679	285,679	471,980
Reserved for debt service	37,196	-	37,196	-	-	-	-	-	37,196
Unreserved:									
Designated for subsequent year's expenditures	-	-	-	-	902,316	-	296,518	1,198,834	2,506,497
Undesignated	-	-	-	-	210,793	-	32,605	243,398	787,917
Total fund balances	37,196	-	37,196	-	1,113,109	-	614,802	1,727,911	3,803,590
Total liabilities and fund balances	\$ 43,489	\$ -	\$ 43,489	\$ 8,314	\$ 1,150,174	\$ -	\$ 766,014	\$ 1,924,502	\$ 4,966,563

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Special Revenue										
	Local					Law Enforcement					
	CBDG Entitlement	Biscayne Boulevard Improvement	Landfill Closure	Police Training	Housing Assistance (SHIP)	Business Assistance Loan	Downtown Incentives	Law Enforcement	Federal Forfeiture	Law Enforcement Block Grant	Total
Revenues:											
Intergovernmental	\$ 1,767,647	\$ -	\$ 1,000,000	\$ 9,921	\$ 376,800	\$ -	\$ -	\$ 1,735	\$ -	\$ 412,355	\$ 3,568,458
Taxes	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	253,741	1,235	-	254,976
Other (including interest)	-	83	2,543	43	9,343	8,876	574	7,203	2,984	6,425	38,074
Total revenues	<u>1,767,647</u>	<u>83</u>	<u>1,002,543</u>	<u>9,964</u>	<u>386,143</u>	<u>8,876</u>	<u>574</u>	<u>262,679</u>	<u>4,219</u>	<u>418,780</u>	<u>3,861,508</u>
Expenditures:											
Current:											
Public safety	-	-	-	11,588	-	-	-	250,324	50,094	269,214	581,220
Community planning and development	460,860	-	-	-	-	-	-	-	-	-	460,860
Physical environment	-	-	828,989	-	-	-	-	-	-	-	828,989
Economic environment	-	-	-	-	25,849	-	6,340	-	-	-	32,189
Grants/aid	441,957	-	-	-	102,300	-	2,340	-	-	-	546,597
Capital outlay	839,830	-	363,256	-	-	-	-	13,190	295	70,948	1,287,519
Debt service:											
Principal retirement	-	-	920,136	-	-	-	-	-	-	-	920,136
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	96,248	-	-	-	-	-	-	-	96,248
Total expenditures	<u>1,742,647</u>	<u>-</u>	<u>2,208,629</u>	<u>11,588</u>	<u>128,149</u>	<u>-</u>	<u>8,680</u>	<u>263,514</u>	<u>50,389</u>	<u>340,162</u>	<u>4,753,758</u>
Excess (deficiency) of revenues over expenditures	<u>25,000</u>	<u>83</u>	<u>(1,206,086)</u>	<u>(1,624)</u>	<u>257,994</u>	<u>8,876</u>	<u>(8,106)</u>	<u>(835)</u>	<u>(46,170)</u>	<u>78,618</u>	<u>(892,250)</u>
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	100,000	-	-	25,280	125,280
Transfers out	(25,000)	-	-	-	-	-	-	(51,887)	(25,280)	-	(102,167)
Premium on debt	-	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-
Debt issued	-	-	1,600,000	-	-	-	-	-	-	-	1,600,000
Total other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>(51,887)</u>	<u>(25,280)</u>	<u>25,280</u>	<u>1,623,113</u>
Net change in fund balances	-	83	393,914	(1,624)	257,994	8,876	91,894	(52,722)	(71,450)	103,898	730,863
Fund balances, beginning	-	5,975	99,076	3,721	501,466	9,617	-	205,929	236,425	245,411	1,307,620
Fund balances, ending	<u>\$ -</u>	<u>\$ 6,058</u>	<u>\$ 492,990</u>	<u>\$ 2,097</u>	<u>\$ 759,460</u>	<u>\$ 18,493</u>	<u>\$ 91,894</u>	<u>\$ 153,207</u>	<u>\$ 164,975</u>	<u>\$ 349,309</u>	<u>\$ 2,038,483</u>
											(Continued)

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Debt Service</u>		<u>Capital Projects</u>					<u>Total</u>
	<u>FMLC-Loan</u>	<u>Pension</u>	<u>City of</u>		<u>Safe</u>	<u>Police</u>	<u>Transportation</u>	
	<u>General</u>	<u>Obligation</u>	<u>Bonds</u>	<u>Progress</u>	<u>Neighborhood</u>	<u>Building</u>	<u>Gas Tax</u>	<u>Nonmajor</u>
	<u>Obligation</u>	<u>Bonds</u>		<u>Capital</u>	<u>Parks</u>			<u>Governmental</u>
				<u>Improvement</u>				<u>Funds</u>
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,568,458
Taxes	471,401	-	471,401	-	-	-	376,054	847,455
Fines and forfeitures	-	-	-	-	-	-	-	254,976
Other (including interest)	-	2	2	32,052	-	-	19,327	89,455
Total revenues	471,401	2	471,403	32,052	-	-	395,381	4,760,344
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	581,220
Community planning and development	-	-	-	-	-	-	-	460,860
Physical environment	-	-	-	-	-	-	-	828,989
Economic environment	-	-	-	-	-	-	-	32,189
Grants/aid	-	-	-	-	-	-	-	546,597
Capital outlay	-	-	-	-	-	-	634,723	1,922,242
Debt service:								
Principal retirement	235,000	145,000	380,000	-	-	-	-	1,300,136
Debt issuance costs	59,436	-	59,436	-	-	-	-	59,436
Interest and fiscal charges	209,570	860,562	1,070,132	-	-	-	-	1,166,380
Total expenditures	504,006	1,005,562	1,509,568	-	-	-	634,723	6,898,049
Excess (deficiency) of revenues over expenditures	(32,605)	(1,005,560)	(1,038,165)	-	-	-	(239,342)	(2,137,705)
Other financing sources (uses):								
Transfers in	-	1,005,560	1,005,560	-	-	-	-	1,130,840
Transfers out	-	-	-	(435,500)	-	(30,825)	-	(568,492)
Premium on debt	79,464	-	79,464	-	-	-	-	79,464
Payment to escrow agent	(3,355,028)	-	(3,355,028)	-	-	-	-	(3,355,028)
Debt issued	3,335,000	-	3,335,000	-	-	-	-	4,935,000
Total other financing sources (uses)	59,436	1,005,560	1,064,996	(435,500)	-	(30,825)	-	2,221,784
Net change in fund balances	26,831	-	26,831	(403,448)	-	(30,825)	(239,342)	84,079
Fund balances, beginning	10,365	-	10,365	1,516,557	-	30,825	854,144	3,719,511
Fund balances, ending	\$ 37,196	\$ -	\$ 37,196	\$ 1,113,109	\$ -	\$ -	\$ 614,802	\$ 3,803,590

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NON-MAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Special Revenue										Variance with Final Budget-Positive (Negative)	
	CDBG Entitlement					Biscayne						
	(1)		(2)			Boulevard Improvement			Landfill Closure			
	Budgeted Amounts Original	Actual Amounts Final	Budget-Positive (Negative)	Budgeted Amounts Original	Actual Amounts Final	Budget-Positive (Negative)	Budgeted Amounts Original	Actual Amounts Final	Budget-Positive (Negative)	Budgeted Amounts Original		Actual Amounts Final
Revenues:												
Intergovernmental	\$ 3,025,392	\$ 3,025,392	\$ 1,767,647	\$ (1,257,745)	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	
Taxes	-	-	-	-	-	-	-	-	-	-	-	
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	
Other (including interest)	-	-	-	-	20,261	20,261	83	1,000	1,000	-	-	1,543
Total revenues	3,025,392	3,025,392	1,767,647	(1,257,745)	20,261	20,261	83	1,001,000	1,002,543	-	-	1,543
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	
Community planning and development	415,086	514,882	474,363	40,519	-	-	-	-	-	-	-	
Physical environment	-	-	-	-	-	-	-	-	-	-	-	
Economic environment	-	-	-	-	-	-	-	566,681	566,681	-	-	(152,489)
Grants/aid	1,640,484	1,502,705	249,146	1,253,559	-	-	-	-	-	-	-	
Capital outlay	861,158	935,915	822,919	112,996	-	-	-	3,600,000	3,600,000	-	-	3,187,500
Debt service:												
Principal retirement	-	-	-	-	-	-	-	900,000	920,136	-	-	
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	2,916,728	2,953,502	1,546,428	1,407,074	-	-	-	100,000	79,864	-	-	(16,384)
					-	-	-	5,166,681	5,166,681	-	-	3,018,627
Excess (deficiency) of revenues over expenditures	108,664	71,890	221,219	149,329	20,261	20,261	83	(4,165,681)	(4,165,681)	-	-	3,020,170
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	
Transfers out	-	(25,000)	(25,000)	-	-	-	-	-	-	-	-	
Debt issued	-	-	-	-	-	-	-	4,095,080	4,095,080	-	-	(2,495,080)
Total other financing sources (uses)	-	(25,000)	(25,000)	-	-	-	-	4,095,080	4,095,080	-	-	(2,495,080)
Excess (deficiency) of revenues over expenditures and other financing sources and uses	\$ 108,664	\$ 46,890	\$ 196,219	\$ 149,329	\$ 20,261	\$ 20,261	\$ 83	\$ (70,601)	\$ (70,601)	-	-	\$ 525,090
Appropriated beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ 5,996	\$ 5,996	\$ -	\$ 70,601	\$ 70,601	-	-	

(1) \$46,890 budgeted as reserve for future appropriation.

(2) \$26,257 budgeted as reserve for future appropriation.

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Special Revenue									
	Police Training			Local Housing Assistance (SHIP)			Business Assistance			Variance with Final Budget-Positive (Negative)
	Budgeted Amounts Original	Final	Actual Amounts	Budgeted Amounts Original	Final	Actual Amounts	Budgeted Amounts Original	Final	Actual Amounts	
Revenues:										
Intergovernmental	\$ 11,000	\$ 11,000	\$ 9,921	\$ (1,079)	\$ 279,697	\$ 376,800	\$ 97,103	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Other (including interest)	115	115	43	(72)	8,289	9,343	1,054	9,276	8,876	(400)
Total revenues	11,115	11,115	9,964	(1,151)	287,986	386,143	98,157	9,276	8,876	(400)
Expenditures:										
Current:										
Public safety	15,376	15,376	11,588	3,788	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	18,200	25,849	6,251	-	-	-
Grants/aid	-	-	-	-	762,177	102,300	645,977	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	15,376	15,376	11,588	3,788	780,377	128,149	652,228	-	-	-
Excess (deficiency) of revenues over expenditures	(4,261)	(4,261)	(1,624)	2,637	(492,391)	257,994	750,385	9,276	8,876	(400)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources and uses	\$ (4,261)	\$ (4,261)	\$ (1,624)	\$ 2,637	\$ (492,391)	\$ 257,994	\$ 750,385	\$ 9,276	\$ 8,876	\$ (400)
Appropriated beginning fund balance	\$ 4,261	\$ 4,261			\$ 510,664	\$ 510,664	\$ 9,817	\$ 9,817		

(3) \$18,273 budgeted as a reserve for future appropriation.

(4) \$19,093 budgeted as a reserve for future loans.

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Downtown Incentives				Special Revenue				Law Enforcement Block Grant			
	Budgeted Amounts		Actual		Law Enforcement		Federal Forfeiture		Law Enforcement		Block Grant	
	Original	Final	Amounts	with Final Budget-Positive (Negative)	Budgeted Original	Actual Amounts	Budgeted Original	Actual Amounts	Budgeted Original	Actual Final	Budget-Positive (Negative)	Variance with Final Budget-Positive (Negative)
Revenues:												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,735	\$ -	\$ -	\$ 227,522	\$ 227,522	\$ 412,355	\$ 184,833
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	253,741	-	1,235	-	-	-	-
Other (including interest)	-	-	574	574	11,026	7,203	6,700	2,984	13,600	13,600	6,425	(7,175)
Total revenues	-	-	574	574	11,026	262,679	6,700	4,219	241,122	241,122	418,780	177,658
Expenditures:												
Current:												
Public safety	-	-	-	-	-	226,155	(222,650)	92,720	(7,027)	148,000	346,499	45,993
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	8,567	6,340	-	-	-	-	-	-	-	-
Grants/aid	-	-	2,340	2,340	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,420	(2,420)	5,812	-	350,000	159,261	88,313
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	10,907	8,680	-	228,575	(225,070)	98,532	(7,027)	498,000	505,760	134,306
Excess (deficiency) of revenues over expenditures	-	-	(10,907)	(8,106)	2,801	34,104	26,583	(101,340)	(9,508)	(256,878)	47,326	311,964
Other financing sources (uses):												
Transfers in	100,000	100,000	100,000	-	-	-	-	-	-	25,280	25,280	-
Transfers out	-	-	-	-	(94,213)	(94,213)	(46,400)	(25,280)	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	100,000	100,000	100,000	-	(94,213)	(94,213)	(46,400)	(25,280)	-	25,280	25,280	-
Excess (deficiency) of revenues over expenditures and other financing sources and uses	\$ 100,000	\$ 89,093	\$ 91,894	\$ 2,801	\$ (83,187)	\$ (86,692)	\$ (19,817)	\$ (126,620)	\$ (9,508)	\$ (239,358)	\$ 72,606	\$ 311,964
Appropriated beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ 87,527	\$ 87,527	\$ 243,065	\$ 243,065	\$ 239,593	\$ 239,593	\$ 239,593	\$ -

- (5) \$89,093 budgeted as reserve for downtown incentives.
(6) \$835 budgeted as reserve for future appropriation.
(7) \$125,953 budgeted as reserve for future appropriation.
(8) \$233 budgeted as reserve for future appropriation.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NON-MAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

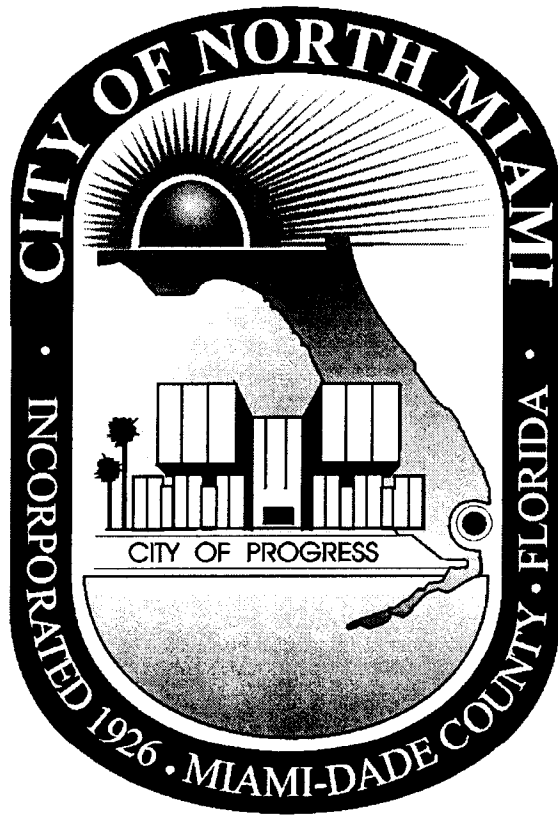
	FMLC - Loan				Debt Service			
	General Obligation				Pension Obligation Bonds			
	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	425,765	425,765	471,401	45,636	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	-	-	2	2
Total revenues	425,765	425,765	471,401	45,636	-	-	2	2
Expenditures:								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Culture/Recreation	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-
Principal retirement	235,000	235,000	235,000	-	145,000	145,000	145,000	-
Debt issuance costs	-	-	59,436	(59,436)	-	-	-	-
Interest and fiscal charges	210,210	210,210	209,570	640	860,575	860,575	860,562	13
Total expenditures	445,210	445,210	504,006	(58,796)	1,005,575	1,005,575	1,005,562	13
Excess (deficiency) of revenues over expenditures	(19,445)	(19,445)	(32,605)	(13,160)	(1,005,575)	(1,005,575)	(1,005,560)	15
Other financing sources (uses):								
Transfers in	-	-	-	-	1,005,575	1,005,575	1,005,560	(15)
Transfers out	-	-	-	-	-	-	-	-
Debt issued	-	-	3,414,464	3,414,464	-	-	-	-
Payment to escrow agent	-	-	(3,355,028)	(3,355,028)	-	-	-	-
Total other financing sources (uses)	-	-	59,436	59,436	1,005,575	1,005,575	1,005,560	(15)
Excess (deficiency) of revenues over expenditures and other financing sources and uses	\$ (19,445)	\$ (19,445)	\$ 26,831	\$ 46,276	\$ -	\$ -	\$ -	\$ -
Appropriated beginning fund balance	\$ 19,445	\$ 19,445						

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Capital Projects											
	Safe Neighborhood Parks				City of Progress Capital Improvement				Police Building			
	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:												
Intergovernmental	\$58,800	\$58,800	\$ -	\$ (58,800)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	39,970	39,970	32,052	(7,918)	-	-	-	-
Total revenues	58,800	58,800	-	(58,800)	39,970	39,970	32,052	(7,918)	-	-	-	-
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Culture/recreation	58,800	58,800	-	58,800	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	58,800	58,800	-	58,800	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	39,970	39,970	32,052	(7,918)	-	-	-	-
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(900,724)	(900,724)	(435,500)	465,224	(31,069)	(31,069)	(30,825)	244
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(900,724)	(900,724)	(435,500)	465,224	(31,069)	(31,069)	(30,825)	244
Excess (deficiency) of revenues over expenditures and other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ (860,754)	\$ (860,754)	\$ (403,448)	\$ 457,306	\$ (31,069)	\$ (31,069)	\$ (30,825)	\$ 244
Appropriated beginning fund balance					\$1,573,096	\$1,573,096			\$ 31,069	\$ 31,069		
									\$ (752,674)	\$ (752,674)	\$ (457,209)	\$ 295,465
									\$ 995,133	\$ 995,133		

(9) \$712,342 budgeted as reserve for future appropriation.
(10) \$152,459 budgeted as reserve for future appropriation.



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

GENERAL RISK MANAGEMENT — This fund is used to account for the cost of insuring the City in the areas of property and casualty liability, public officials' and law enforcement officers' liability and workers' compensation. Departments of the City are assessed a charge based upon the funding needs of the fund.

GROUP HEALTH RISK MANAGEMENT — This fund was established to account for the cost of the City's self-insurance program for employee medical coverage.

Effective January 1, 1998, the City was no longer self-insured for group health. Beginning in fiscal year 2000, remaining funds in the health insurance trust fund are being appropriated for the purpose of providing health insurance premiums for City employees. The appropriation of funds will be amortized over a minimum of five years.

FLEET MANAGEMENT — This fund is used to account for the costs and funding of providing motor vehicles and heavy equipment to other departments.

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2002

<u>ASSETS</u>	General Risk Management	Group Health Risk Management	Fleet Management	Totals
Current:				
Cash and cash equivalents	\$ 1,731,631	\$ 1,161,846	\$ 672,118	\$ 3,565,595
Investments	1,250,000	100,000	1,300,000	2,650,000
Receivables	2,113	213	13,114	15,440
Due from other funds	378,271	-	-	378,271
Inventories and supplies	-	-	65,871	65,871
Other assets	32,189	-	-	32,189
Total current assets	<u>3,394,204</u>	<u>1,262,059</u>	<u>2,051,103</u>	<u>6,707,366</u>
Non-current:				
Interfund receivable	1,342,324	-	-	1,342,324
Advances to other funds	-	217,727	241,682	459,409
Capital assets:				
Buildings	-	-	110,477	110,477
Improvements	-	-	286,446	286,446
Equipment	4,385	-	11,067,776	11,072,161
Accumulated Depreciation	(1,316)	-	(7,458,712)	(7,460,028)
Total non-current assets	<u>1,345,393</u>	<u>217,727</u>	<u>4,247,669</u>	<u>5,810,789</u>
Total assets	<u>4,739,597</u>	<u>1,479,786</u>	<u>6,298,772</u>	<u>12,518,155</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	30,372	-	62,104	92,476
Due to other funds	-	-	5,954	5,954
Total current liabilities	<u>30,372</u>	<u>-</u>	<u>68,058</u>	<u>98,430</u>
Non-current:				
Interfund payable	-	-	22,006	22,006
Compensated absences	38,106	-	272,851	310,957
Estimated claims payable	4,671,119	-	-	4,671,119
Total non-current liabilities	<u>4,709,225</u>	<u>-</u>	<u>294,857</u>	<u>5,004,082</u>
Total liabilities	<u>4,739,597</u>	<u>-</u>	<u>362,915</u>	<u>5,102,512</u>
<u>NET ASSETS</u>				
Net assets:				
Invested in capital assets	3,069	-	4,005,987	4,009,056
Unrestricted	(3,069)	1,479,786	1,929,870	3,406,587
Total net assets	<u>\$ -</u>	<u>\$ 1,479,786</u>	<u>\$ 5,935,857</u>	<u>\$ 7,415,643</u>

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>General Risk Management</u>	<u>Group Health Risk Management</u>	<u>Fleet Management</u>	<u>Totals</u>
Operating revenues:				
Motor vehicle charges	\$ -	\$ -	\$ 2,832,504	\$ 2,832,504
Other charges for services	<u>3,946,034</u>	<u>-</u>	<u>16,702</u>	<u>3,962,736</u>
Total operating revenues	<u>3,946,034</u>	<u>-</u>	<u>2,849,206</u>	<u>6,795,240</u>
Operating expenses:				
Personal services	170,116	-	1,019,327	1,189,443
Claims	3,045,470	-	-	3,045,470
Materials, supplies, services and other operating expenses	949,202	-	785,777	1,734,979
Depreciation	<u>439</u>	<u>-</u>	<u>1,064,270</u>	<u>1,064,709</u>
Total operating expenses	<u>4,165,227</u>	<u>-</u>	<u>2,869,374</u>	<u>7,034,601</u>
Operating loss	<u>(219,193)</u>	<u>-</u>	<u>(20,168)</u>	<u>(239,361)</u>
Non-operating revenues:				
Interest income	45,128	51,380	58,505	155,013
Miscellaneous	<u>183,618</u>	<u>-</u>	<u>75,355</u>	<u>258,973</u>
Total non-operating revenues	<u>228,746</u>	<u>51,380</u>	<u>133,860</u>	<u>413,986</u>
Income before transfers	9,553	51,380	113,692	174,625
Transfers in	-	-	129,893	129,893
Transfers out	<u>(9,553)</u>	<u>(565,000)</u>	<u>(631,759)</u>	<u>(1,206,312)</u>
Net loss	-	(513,620)	(388,174)	(901,794)
Net assets, beginning	<u>-</u>	<u>1,993,406</u>	<u>6,324,031</u>	<u>8,317,437</u>
Net assets, ending	<u>\$ -</u>	<u>\$ 1,479,786</u>	<u>\$ 5,935,857</u>	<u>\$ 7,415,643</u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	General Risk <u>Management</u>	General Health Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers, including cash deposits	\$ 183,618	\$ -	\$ 59,153	\$ 242,771
Receipt from other funds for quasi-external operating transactions	3,570,694	-	2,832,504	6,403,198
Payments to other funds for quasi-external operating transactions	(3,000)	-	(6,256)	(9,256)
Gasoline tax refund	-	-	27,680	27,680
Cash payments to suppliers	(905,668)	(14,002)	(745,667)	(1,665,337)
Claim payments	(1,503,081)	-	-	(1,503,081)
Cash payments to employees	(164,514)	-	(982,735)	(1,147,249)
Net cash provided (used) by operating activities	<u>1,178,049</u>	<u>(14,002)</u>	<u>1,184,679</u>	<u>2,348,726</u>
Cash flows from non-capital financing activities:				
Advances from other funds	-	109,216	(113,182)	(3,966)
Operating transfers to other funds	(9,553)	(565,000)	(652,316)	(1,226,869)
Grant proceeds	-	-	1,050	1,050
Net cash used by non-capital financing activities	<u>(9,553)</u>	<u>(455,784)</u>	<u>(764,448)</u>	<u>(1,229,785)</u>
Cash flows from capital and related financing activities:				
Purchase of fixed assets	-	-	(845,118)	(845,118)
Proceeds from sale of fixed assets	-	-	39,560	39,560
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(805,558)</u>	<u>(805,558)</u>
Cash flows from investing activities:				
Proceeds from sale of investments	580,000	200,000	780,000	1,560,000
Purchase of investments	(1,480,000)	-	(680,000)	(2,160,000)
Interest received	43,368	51,021	60,968	155,357
Net cash provided (used) by investing activities	<u>(856,632)</u>	<u>251,021</u>	<u>160,968</u>	<u>(444,643)</u>
Net increase (decrease) in cash and cash equivalents	311,864	(218,765)	(224,359)	(131,260)
Cash and cash equivalents, beginning	<u>1,419,767</u>	<u>1,380,611</u>	<u>896,477</u>	<u>3,696,855</u>
Cash and cash equivalents, ending	<u>\$ 1,731,631</u>	<u>\$ 1,161,846</u>	<u>\$ 672,118</u>	<u>\$3,565,595</u>

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>General Risk Management</u>	<u>Group Health Risk Management</u>	<u>Fleet Management</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (219,193)	\$ -	\$ (20,168)	\$ (239,361)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	439	-	1,064,270	1,064,709
Other income	183,618	998	55,175	239,791
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Miscellaneous receivables	-	-	14,956	14,956
Inventories	-	-	(9,427)	(9,427)
Due from other funds	(128,321)			(128,321)
Interfund receivables	(247,019)	-	-	(247,019)
Other assets	51,230	-	900	52,130
Increase (decrease) in:				
Accounts payable	(10,697)	-	23,449	12,752
Accrued liabilities	494	-	2,602	3,096
Estimated claims payable	1,542,389	(15,000)	-	1,527,389
Compensated absences	5,015	-	30,058	35,073
Interfund payables	-	-	14,784	14,784
Due to other funds	-	-	4,148	4,148
Accrued payroll deductions	94	-	3,932	4,026
Total adjustments	<u>1,397,242</u>	<u>(14,002)</u>	<u>1,204,847</u>	<u>2,588,087</u>
Net cash provided (used) by operating activities	<u>\$ 1,178,049</u>	<u>\$ (14,002)</u>	<u>\$ 1,184,679</u>	<u>\$ 2,348,726</u>

Non-cash transactions:

During 2002, the Fleet Management Fund received contributed assets from the City valued at \$129,893.

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in the fair value of investments.

PENSION TRUST FUNDS

THE CTS AND 748 PENSION PLANS — These funds are used to account for the accumulation of resources to be used for retirement benefits to City employees. Resources are contributed by employees (at rates fixed by law) and by the City (at amounts determined by actuarial valuations).

CITY OF NORTH MIAMI, FLORIDA
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2002

	<u>CTS</u> <u>Plan</u>	748 <u>Plan</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 1,711,358	\$ 308,971	\$ 2,020,329
Pension investments	44,521,698	19,140,050	63,661,748
Receivables:			
Accrued interest and dividends	283,741	137,854	421,595
Intergovernmental	78,472	-	78,472
Pension contributions	38,004	68,411	106,415
Receivable on investments sold	142,750	97,570	240,320
Other	5,598	52,626	58,224
Total assets	<u>46,781,621</u>	<u>19,805,482</u>	<u>66,587,103</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable	47,201	10,398	57,599
Benefits payable	5,948	34,309	40,257
Payable to broker for investments purchased	646,575	137,493	784,068
Total liabilities	<u>699,724</u>	<u>182,200</u>	<u>881,924</u>
Net assets held in trust for pension benefits	<u>\$ 46,081,897</u>	<u>\$ 19,623,282</u>	<u>\$ 65,705,179</u>

CITY OF NORTH MIAMI, FLORIDA

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer	\$ 254,552	\$ 237,449	\$ 492,001
Employee	1,153,355	393,326	1,546,681
Other	<u>3,027</u>	<u>28,455</u>	<u>31,482</u>
	<u>1,410,934</u>	<u>659,230</u>	<u>2,070,164</u>
Investment income (loss):			
Net depreciation in fair value of investments	(5,470,191)	(2,145,285)	(7,615,476)
Interest	1,264,054	468,606	1,732,660
Dividends	<u>430,384</u>	<u>200,608</u>	<u>630,992</u>
	(3,775,753)	(1,476,071)	(5,251,824)
Less investment expenses	<u>286,032</u>	<u>120,963</u>	<u>406,995</u>
Net investment loss	<u>(4,061,785)</u>	<u>(1,597,034)</u>	<u>(5,658,819)</u>
Total additions	<u>(2,650,851)</u>	<u>(937,804)</u>	<u>(3,588,655)</u>
DEDUCTIONS			
Benefits paid directly to participants:			
Normal retirement	2,029,774	31,183	2,060,957
Disability retirement	64,704	67,689	132,393
Death benefit	-	46,618	46,618
Lump sum retirement	4,140,993	884,261	5,025,254
Refunds of accumulated contributions	<u>61,395</u>	<u>29,534</u>	<u>90,929</u>
	6,296,866	1,059,285	7,356,151
Administrative expenses	<u>126,787</u>	<u>61,431</u>	<u>188,218</u>
Total deductions	<u>6,423,653</u>	<u>1,120,716</u>	<u>7,544,369</u>
Net decrease	(9,074,504)	(2,058,520)	(11,133,024)
Net assets, beginning	<u>55,156,401</u>	<u>21,681,802</u>	<u>76,838,203</u>
Net assets, ending	<u>\$ 46,081,897</u>	<u>\$ 19,623,282</u>	<u>\$ 65,705,179</u>



San Sotelo

PART III - STATISTICAL SECTION

CITY OF NORTH MIAMI, FLORIDA

Government-wide Expenses by Function

(1) Last Ten Fiscal Years

TABLE 1

Fiscal Year	General Government	Public Works	Highways & Streets	Public Safety	Culture / Recreation	Community				Interest & Fiscal Charges	Water & Sewer	Solid Waste	Stormwater	Total
						Planning & Development	Physical Environment	Economic Environment						
2002	\$12,594,194	\$761,565	\$2,177,758	\$11,748,202	\$5,336,611	\$2,725,694	\$849,320	\$144,329	\$1,085,047	\$17,291,430	\$5,440,595	\$1,474,832	\$61,629,577	

(1) Information for Fiscal Year End 1993 - 2001 is unavailable.

Government-wide Revenues

(1) Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes (2)	Unrestricted Investment Earnings	Miscellaneous	Total
2002	\$28,348,413	\$ 5,716,206	\$ 975,692	\$23,336,578	\$ 770,022	\$ 533,074	\$59,679,985

(1) Information for Fiscal Year End 1993 - 2001 is unavailable.

(2) Includes property taxes, utility taxes, franchise fees and state shared revenues.

CITY OF NORTH MIAMI, FLORIDA

TABLE 3

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

Fiscal Year	(2) General Government	Public Works	Capital Outlay	Public Safety	(3) Culture / Recreation	(4) Building & Zoning	(5) Debt Service	(4) Planning and Economic Development		(6) Grants / Aids	(7) Physical Environment		Economic Environment	Totals
								Development			Environment			
1993	\$8,828,333	\$1,736,849	\$1,340,497	\$6,460,343	\$3,451,814	\$805,772	\$1,194,577	\$377,719	\$	-	\$	-	\$	\$24,195,904
1994	8,235,533	1,647,352	2,472,853	7,057,314	4,029,078	869,225	1,628,079	351,524		227,397		-		26,518,355
1995	7,557,713	1,576,465	3,464,343	7,641,267	4,234,390	928,562	1,411,734	574,165		272,366		-		27,661,005
1996	8,295,286	1,617,909	3,277,848	8,239,323	4,381,939	1,010,421	1,416,282	649,092		344,233		202,906	4,675	29,439,914
1997	8,471,369	1,541,852	1,197,982	8,581,670	4,614,223	-	13,972,752	1,568,566		504,086		193,754	5,425	40,651,679
1998	7,237,875	1,477,987	1,417,132	8,814,805	4,866,029	-	3,047,734	1,553,573		950,376		469,386	4,209	29,839,106
1999	7,342,359	1,545,641	2,972,285	9,517,309	4,979,691	-	3,240,986	1,709,563		868,791		791,490	1,951	32,970,066
2000	8,233,240	1,576,789	2,535,686	10,403,929	5,092,193	-	3,236,179	1,835,786		712,621		1,300,554	103,235	35,030,212
2001	9,758,489	1,806,330	1,669,470	10,435,664	5,512,454	-	2,300,204	1,864,953		859,768		415,416	6,444	34,629,192
2002	11,930,162	1,831,985	2,066,964	11,545,807	5,492,566	-	2,525,952	2,234,281		900,590		828,989	32,189	39,389,485

(1) Includes general fund, special revenue funds and debt service funds; excludes capital projects and expendable trust funds (GAAP basis).

In fiscal year 2002, public safety and capital outlay expenditures include expenditures previously accounted for in expendable trust funds. All expendable trust funds were reclassified to special revenue funds with the implementation of GASB 34.

(2) Prior to 1995, library services were included in general government. In 2002, general government included on behalf payments of \$179,068.

(3) Effective October 1, 1994, library services are included as culture/recreation. Beginning in fiscal year 1994, museum operations are no longer shown as culture/recreation, but are reflected as transfers to the component unit.

(4) In fiscal year 1997, these were combined under one budgetary level of control entitled Community Planning and Development in the General fund.

(5) In fiscal year 1997, this includes \$11,412,917 in bond proceeds that were contributed to the City's two defined benefit pension plans for the discharge of the unfunded actuarial accrued liabilities. In fiscal year 2002 expenditures include \$59,436 in debt issuance costs

(6) Prior to 1994, grants and aids amounts were included under culture/recreation, and planning and economic development.

(7) Physical Environment expenditures for fiscal year 2000 include \$26,790 in debt issuance costs.

CITY OF NORTH MIAMI, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

Fiscal Year	(2) <u>Taxes</u>	Licenses and <u>Permits</u>	(3)			<u>Other</u>	<u>Totals</u>
			Inter- Governmental <u>Revenues</u>	(4) Charges for <u>Services</u>	Fines and <u>Forfeitures</u>		
1993	\$ 14,494,072	\$ 876,351	\$ 5,278,217	\$ 2,329,807	\$ 109,802	\$ 2,080,304 (5)	\$ 25,168,553
1994	14,955,844	909,227	4,790,507	3,007,166	178,240	3,453,291 (6)	27,294,275
1995	15,388,002	837,461	6,060,920	3,300,485	257,986	1,831,190 (7)	27,676,044
1996	16,373,730	854,497	5,737,134	3,478,334	294,877	798,802	27,537,374
1997	16,517,265	854,755	5,905,897	3,670,658	273,701	1,153,627	28,375,903
1998	17,053,937	837,967	6,878,804	3,757,804	270,701	1,255,703	30,054,916
1999	17,836,782	828,579	7,800,732	3,940,979	240,757	962,959	31,610,788
2000	18,256,591	851,649	8,021,068	4,081,419	281,213	739,039	32,230,979
2001	18,628,549	829,921	7,655,752	4,811,068	321,897	679,781	32,926,968
2002	19,853,136	925,688	8,943,565	5,139,702	700,027	543,291	36,105,409

(1) Includes general, special revenue and debt service funds; excludes capital projects and expendable trust funds (GAAP basis).

In fiscal year 2002, intergovernmental, fines and forfeitures, and other revenues include revenues previously accounted for in expendable trust funds. All expendable trust funds were reclassified to special revenue funds with the implementation of GASB 34.

(2) Includes property taxes, sales and use taxes, franchise fees and utility service taxes.

(3) Includes grants and intergovernmental shared revenues.

(4) Primarily includes revenues from quasi-external transactions with other funds.

(5) Includes approximately \$1,627,000 in proceeds from the sale of land.

(6) Includes approximately \$2,111,000 in proceeds from the sale of land and \$900,000 in proceeds from litigation settlement.

(7) Includes approximately \$271,000 in proceeds from the sale of land.

CITY OF NORTH MIAMI, FLORIDA

TABLE 5

PROPERTY TAX LEVIES AND COLLECTIONS (1) LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (2)	Current Tax Collected	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1993	\$8,910,406	\$8,276,046	92.88	\$ 397,834	\$8,673,880	97.35
1994	9,597,118	8,915,156	92.89	73,525	8,988,681	93.66
1995	9,834,226	9,305,258	94.62	94,003	9,399,261	95.58
1996	10,715,956	10,109,944	94.34	136,892	10,246,836	95.62
1997	10,823,741	10,182,625	94.08	59,042	10,241,667	94.62
1998	11,024,259	10,461,639	94.90	170,122	10,631,761	96.44
1999	11,050,487	10,600,534	95.93	115,903	10,716,437	96.98
2000	11,608,639	10,992,751	94.69	130,503	11,123,254	95.82
2001	11,356,172	10,762,383	94.77	184,170	10,946,553	96.39
2002	12,242,231	11,625,171	94.96	159,854	11,785,025	96.27

Source: Miami-Dade County Property Appraiser and internally generated data.

(1) Includes levies and collections for personal and real properties.

(2) Includes levies for general operations, library, and debt service. Subsequent to 1999, library services are included in general operations.

CITY OF NORTH MIAMI, FLORIDA

ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)

LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Taxable Gross Total	Real Estate Adjustments	Net Assessed Property Value
1993	\$ 985,383,110	\$ 93,995,856	\$ 642,784	\$ 1,080,021,750	\$ 4,531,721	\$ 1,075,490,029
1994	969,708,296	117,954,465	445,913	1,088,108,674	2,934,707	1,085,173,967
1995	1,020,380,892	94,007,945	602,751	1,114,991,588	12,014,698	1,102,976,890
1996	1,064,895,883	99,896,576	618,789	1,165,411,248	7,537,158	1,157,874,090
1997	1,071,041,444	111,019,957	602,562	1,182,663,963	9,204,014	1,173,459,949
1998	1,097,530,218	111,324,898	608,223	1,209,463,339	9,336,728	1,200,126,611
1999	1,133,445,837	112,171,309	779,442	1,246,396,588	9,302,670	1,237,093,918
2000	1,152,380,189	131,273,575	771,791	1,284,425,555	10,121,113	1,274,304,442
2001	1,189,062,896	115,288,424	805,782	1,305,157,102	9,088,509	1,296,068,593
2002	1,266,127,069	120,578,899	830,144	1,387,536,112	15,469,107	1,372,067,005

Source: Miami-Dade County Property Appraiser

(1) The basis of assessed value is approximately 100% of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding year.

CITY OF NORTH MIAMI, FLORIDA

TABLE 7

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Fiscal Year	<u>City of North Miami</u>		<u>Miami-Dade County</u>			School District	State	Total Millage
	Operating Millage(1)	Debt Service Millage	Operating Millage	Debt Service Millage	Total			
1993	7.302	0.949	10.399	1.139	11.538	9.528	0.599	29.916
1994	7.302	1.518	10.399	0.830	11.229	9.923	0.648	30.620
1995	7.512	1.308	9.757	0.826	10.583	10.345	0.546	30.294
1996	7.962	1.233	9.446	0.829	10.275	10.389	0.587	30.446
1997	7.935	1.217	9.156	0.832	9.988	10.366	0.710	30.216
1998	7.931	1.184	8.673	1.004	9.677	10.462	0.747	30.001
1999	7.831	1.169	8.887	0.837	9.724	10.160	0.744	29.628
2000	7.930	1.108	8.561	0.816	9.377	9.644	0.741	28.800
2001	8.350	0.351	8.503	0.652	9.155	9.617	0.738	28.211
2002	8.500	0.323	8.465	0.552	9.017	9.376	0.736	27.952

Source: Miami-Dade County Property Appraiser.

(1) Includes general operations and library.

CITY OF NORTH MIAMI, FLORIDA

TABLE 8

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Stellar Biscayne	Real Estate Rentals	\$ 40,800,000	2.97%
Florida Power & Light Corporation	Utility	24,102,445	1.76%
Center Court Associates LTD	Rental Apartments	14,657,619	1.07%
Greenwich Village Associates, Ltd.	Rental Apartments	15,663,937	1.14%
Tropicana Investors Inc.	Real Estate Invest. Trust	13,394,911	0.98%
ABC Distributing	Wholesale Distribution	13,009,233	0.95%
BellSouth Corporation	Utility	11,977,286	0.87%
127th Street Shopping Center, Inc.	Shopping Mall	7,608,749	0.55%
Drew Investment	Real Estate Rentals	7,444,090	0.54%
Gumenick JG Associates	Office Buildings	<u>6,500,000</u>	<u>0.47%</u>
Totals		<u>\$ 155,158,270</u>	<u>11.31%</u>

Source: Miami-Dade County Property Appraiser

CITY OF NORTH MIAMI, FLORIDA

TABLE 9

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	(1) <u>Population*</u>	(2) <u>Assessed Value*</u>	(3) <u>Gross Bonded Debt*</u>	(4) <u>Less Debt Service Fund*</u>	Net Bonded <u>Debt*</u>	Ratio of Net Debt to Assessed <u>Value</u>	Net Bonded Debt Per <u>Capita</u>
1993	50	\$ 1,075,490	\$ 10,470	\$ -	\$ 10,470	0.97	\$ 209
1994	50	1,085,174	9,620	-	9,620	0.89	192
1995	51	1,102,977	8,745	10	8,735	0.80	171
1996	51	1,157,874	7,830	17	7,813	0.67	153
1997	50	1,173,460	6,875	11	6,864	0.58	137
1998	50	1,200,127	5,875	21	5,854	0.49	117
1999	50	1,237,094	4,820	32	4,788	0.39	96
2000	60	1,274,304	3,720	14	3,706	0.29	62
2001	60	1,296,069	3,500	10	3,490	0.27	58
2002	60	1,372,067	3,335	37	3,298	0.24	55

*Amounts expressed in thousands.

Source: City of North Miami Finance Department.

(1) From Table 13.

(2) From Table 6.

(3) Amount does not include special obligation bonds payable. All general obligation bonded debt is expected to be repaid through general governmental resources.

(4) Amount available for repayment of FLC loan (general obligation debt).

CITY OF NORTH MIAMI, FLORIDA

TABLE 10

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES*

LAST TEN FISCAL YEARS

Fiscal Year	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1993	\$ 1,065	\$ 130	\$ 1,195	\$ 24,196	4.94
1994	900	728	1,628	26,518	6.14
1995	925	487	1,412	27,661	5.10
1996	930	486 (4)	1,416	29,440	4.81
1997	1,832	728 (5)	2,560	40,652	6.30
1998	1,843	1,205	3,048	29,839	10.21
1999	1,941	1,300	3,241	32,970	9.83
2000	2,030	1,233 (6)	3,263	35,030	9.31
2001	1,196	1,104	2,300	34,629	6.64
2002	380	1,130 (7)	1,510	39,389	3.83

*Amounts expressed in thousands.

(1) Includes debt service for general obligation and special obligation debt.

(2) Includes debt issuance and other costs.

(3) From Table 3.

(4) Includes debt issuance costs of approximately \$33,000.

(5) Includes debt issuance costs of approximately \$176,000.

(6) Includes debt issuance costs of approximately \$27,000.

(7) Includes debt issuance costs of approximately \$59,436.

CITY OF NORTH MIAMI, FLORIDA

TABLE 11

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

GENERAL OBLIGATION BONDS (1)

SEPTEMBER 30, 2002

(IN THOUSANDS)

<u>Jurisdiction</u>	<u>Taxable Property Value</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable To North Miami</u>	<u>Amount Applicable To North Miami</u>
Direct:				
City of North Miami (1)	\$ 1,372,067	\$ 3,298	100.00%	\$ 3,298
Overlapping:				
Miami-Dade County (2)	115,792,742	257,022	1.18% (4)	3,033
Miami-Dade County Schools (3)	104,744,430	<u>781,952</u>	1.31% (4)	<u>10,244</u>
Total Overlapping Debt		<u>1,038,974</u>		<u>13,277</u>
Total Direct and Overlapping Debt		<u>\$ 1,042,272</u>		<u>\$ 16,575</u>

(1) Excludes the City of North Miami's special obligation bonds which are not payable from property taxes (see Table 9).

(2) Source: Miami-Dade County Finance Department - Taxable Property Value reflects January 1, 2002 amounts and Net General Obligation Bonded Debt Outstanding figures are as of September 30, 2002.

(3) Source: School Board of Miami-Dade County Division of Accounting - Taxable Property Value reflects September 30, 2001 amounts and Net General Obligation Bonded Debt Outstanding figures are as of June 30, 2002.

(4) Based on the percentage of the County's/School Board's tax roll valuation comprised of real and personal property situated in the City of North Miami.

CITY OF NORTH MIAMI, FLORIDA

TABLE 12

SCHEDULE OF REVENUE BOND COVERAGE WATER & SEWER ENTERPRISE FUND LAST TEN FISCAL YEARS (IN THOUSANDS)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest (3)		
1993	\$ 11,773	\$ 9,604	\$ 2,169	\$ 480	\$ 358	\$ 838	2.58
1994	12,799	10,536	2,263	500	339	839	2.69
1995	13,608	11,933	1,675	345	323	668	2.50
1996	15,247	12,460	2,787	355	310	665	4.19
1997	14,983	14,116	867	370	294	664	1.30
1998	15,355	13,273	2,082	385	278	663	3.14
1999	15,766	14,439	1,327	395	262	657	2.01
2000	17,212	14,374	2,838	415	245	660	4.29
2001	16,236	14,917	1,319	430	228	658	2.00
2002	16,478	15,889	589	450	210	660	0.89

(1) Total operating revenues, plus interest income and operating grants.

(2) Total operating expenses exclusive of depreciation.

(3) Including fiscal charges.

CITY OF NORTH MIAMI, FLORIDA

TABLE 13

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	(1) <u>Population</u>	(2) <u>Per Capita Income</u>	(3) <u>Median Age</u>	(4) <u>Unemployment Rate Percentage</u>	<u>CITY POPULATION BY AGE GROUP - 2000 (5)</u>				
					<u>Years</u>	14 and under	15-24	25-34	35-44
1993	50,243	\$ 13,297	N/A	8.5	45-54	7,490	9,609	9,438	9,516
1994	50,405	13,297	N/A	8.6	55-64	4,271	5,510	59,880	14,046
1995	50,758	13,297	N/A	7.3	65 and over				
1996	50,757	13,297	N/A	8.0	Total				
1997	50,393	13,297	N/A	7.7					
1998	50,258	13,297	N/A	6.9					
1999	50,393	13,297	N/A	6.2					
2000	59,880	14,581	N/A	5.9					
2001	59,880	14,581	32	6.8					
2002	59,996	14,581	N/A	7.9					

EMPLOYED PERSONS BY INDUSTRY - 2000 (6)

<u>Industry</u>	
Contract construction	1,165
Manufacturing and extraction	1,425
Transportation and utilities	1,639
Retail trade	3,002
Wholesale trade	859
Educational services	4,909
Other professional & related services	6,453
Other services	1,504
Finance, Insurance & real estate	1,801
Public administration	802
Total Workers, 16 years old & over	23,559

- (1) University of Florida, Bureau of Economic & Business Research (Except beginning in 2000 - U.S. Census Bureau, Census 2000).
- (2) Data for 1993-1999 and 2000-2002 based on U.S. Census of Population 1990 and 2000 respectively. Data has been restated from previous estimates provided by City of North Miami Community Planning and Development.
- (3) U.S. Census Bureau, Census 2000.
- (4) Florida Department of Labor and Employment Security, Bureau of Labor Market Information, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.
- (5) U.S. Census Bureau, Census 2000.
- (6) U.S. Census of Population 2000

CITY OF NORTH MIAMI, FLORIDA

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Total Permits Issued	New Construction Value (1)		Total	Bank Deposits (2)(3) (000)'s	Real Property Values (4)	
		Commercial	Residential			Commercial	Residential
1993	786	\$4,473,664	\$3,625,171	\$8,098,835	\$ 23,334,147	\$ 231,810,530	\$ 753,572,580
1994	710	8,436,500	5,364,662	13,801,162	32,982,168	215,655,468	754,052,828
1995	379	5,571,100	3,095,985	8,667,085	33,457,237	226,524,558	793,856,334
1996	834	4,516,415	3,196,422	7,712,837	34,662,307	236,406,886	828,488,997
1997	797	7,405,756	3,263,310	10,669,066	34,080,865	238,392,097	832,649,347
1998	767	5,571,813	3,557,590	9,129,403	36,229,658	240,603,748	856,926,470
1999	838	3,273,128	2,951,775	6,224,903	39,633,149	249,523,948	883,921,889
2000	804	6,210,772	3,110,675	9,321,447	40,542,573	251,112,285	901,267,904
2001	824	4,986,919	3,233,587	8,220,506	45,063,851	276,101,935	912,960,961
2002	876	2,435,175	8,018,376	10,453,551	51,297,297	288,793,163	977,333,906

(1) Source: City of North Miami's internal data. Certain building permits have been excluded for not being "new construction" types.

(2) Florida Bankers' Association. The information presented is for Miami-Dade County as a whole which includes the City of North Miami.

(3) Deposits for 1993 are reported for commercial banks as of September 30. Deposits for years 1994-1999 have been restated to include all FDIC insured banks as of June 30th.

(4) Source: Miami-Dade County Property Appraiser. Real property values for 1995-1999 have been restated.

CITY OF NORTH MIAMI, FLORIDA

TABLE 15

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2002

Date of incorporation	1926
Form of government	Council/Manager
Number of employees (excluding police and fire):	
Classified	359
Exempt	20
Area in square miles	9.44
City of North Miami's facilities and services:	
Miles of streets	136
Number of street lights	2,680
Culture and recreation:	
Community centers	6
Parks	26
Park acreage	561
Library	1
Swimming pools	2
Tennis courts	28
Museums	1
Outdoor roller rink	1
Water playgrounds	2
Fire protection (provided by Miami-Dade County):	
Number of stations	2
Number of fire personnel and officers	65
Number of calls answered	13,429
Police protection:	
Number of stations	2
Number of police officers and civilian personnel	170
Number of patrol units	91
Number of calls for service	49,455
Number of law violations:	
Physical arrests	1,409
Traffic citations	6,150
Parking citations	1,687
Boating citations	124
Sewerage system:	
Miles of sanitary sewers	152
Number of service connections	12,324
Miles of storm sewers	23
Water treatment plants (the City utilizes, Miami-Dade County Plant):	
Daily average treatment in gallons	12,890,000
Water system:	
Miles of water mains	303
Number of service connections	19,944
Number of fire hydrants	848
Daily average consumption in gallons	10,941,077
Maximum daily capacity of plant in gallons	9,300,000
Other services:	
Education:	
Number of elementary schools	6
Number of elementary school instructors	390
Number of secondary schools	2
Number of secondary school instructors	175
Number of universities	2

CITY OF NORTH MIAMI, FLORIDA

TABLE 16

FISCAL YEAR BUDGETED AND HISTORIC NON-AD VALOREM FUNDS

FISCAL YEAR ENDED SEPTEMBER 30

<u>Sources of Funds</u>	2003				
	<u>(Budgeted)</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>General government funds (1):</u>					
Franchise fees	\$ 4,463,230	\$ 4,741,489	\$ 2,954,186	\$ 2,510,282	\$ 2,347,932
Utility taxes	2,404,300	2,428,414	3,923,039	3,840,332	3,344,450
Sales and use taxes	862,582	898,208	804,771	782,723	724,000
Licenses and permits	1,018,850	925,688	829,921	851,649	837,967
Intergovernmental revenues (2)	12,477,412	7,764,497	6,482,423	6,893,451	5,731,218
Charges for services (3)	6,007,865	5,139,702	4,811,068	4,081,419	3,757,804
Fines and forfeitures	310,100	700,027	321,897	281,213	270,701
Other	442,262	543,291	679,781	739,039	1,255,703
Total general government non-ad valorem funds	27,986,601	23,141,316	20,807,086	19,980,108	18,275,569
<u>Enterprise funds (4):</u>					
Water and sewer utility	15,810,584	15,957,226	15,584,552	16,512,555	14,867,952
Solid waste services	4,766,258	4,804,527	4,455,651	4,674,009	4,511,319
Stormwater utility	867,762	899,226	890,762	878,531	842,102
Total enterprise funds	21,444,604	21,660,979	20,930,965	22,065,095	20,221,373
Non-ad valorem funds	\$49,431,205	\$44,802,295	\$41,738,051	\$42,045,203	\$38,496,942

(1) Includes general fund, special revenue funds and debt service funds; excludes capital project funds.

(2) This category does not include grants to be paid by Miami-Dade County and on-behalf payments.

(3) Includes quasi-external interfund transactions.

(4) Only operating revenues are shown.

CITY OF NORTH MIAMI, FLORIDA

TABLE 17

DEBT SERVICE REQUIREMENTS AND COVERAGE OUTSTANDING AND PROPOSED PAYABLE FROM NON-AD VALOREM FUNDS

Fiscal Year	Outstanding Debt Service (1)	Principal	Pension Obligation Bonds Interest	Total	Total Principal Debt Service	Non-Ad Valorem Funds (2)	Coverage Ratio Percentage
2003	\$ 2,104,014	\$ 355,000	\$ 841,143	\$ 1,196,143	\$ 3,300,157	\$ 49,431,205	14.98
2004	4,149,170	425,000	816,185	1,241,185	5,390,355	49,431,205	9.17
2005	3,106,136	505,000	786,137	1,291,137	4,397,273	49,431,205	11.24
2006	439,137	595,000	750,066	1,345,066	1,784,203	49,431,205	27.70
2007	440,138	275,000	714,772	989,772	1,429,910	49,431,205	34.57
2008	435,800	335,000	694,731	1,029,731	1,465,531	49,431,205	33.73
2009	435,575	400,000	670,231	1,070,231	1,505,806	49,431,205	32.83
2010	439,200	470,000	640,891	1,110,891	1,550,091	49,431,205	31.89
2011	437,200	335,000	609,808	944,808	1,382,008	49,431,205	35.77
2012	434,700	395,000	584,798	979,798	1,414,498	49,431,205	34.95
2013	436,575	470,000	554,925	1,024,925	1,461,500	49,431,205	33.82
2014	437,344	540,000	519,094	1,059,094	1,496,438	49,431,205	33.03
2015	436,987	630,000	477,750	1,107,750	1,544,737	49,431,205	32.00
2016	435,844	720,000	429,791	1,149,791	1,585,635	49,431,205	31.17
2017	433,912	820,000	375,218	1,195,218	1,629,130	49,431,205	30.34
2018	436,063	930,000	312,926	1,242,926	1,678,989	49,431,205	29.44
2019	432,294	1,050,000	242,366	1,292,366	1,724,660	49,431,205	28.66
2020	433,569	1,180,000	162,803	1,342,803	1,776,372	49,431,205	27.83
2021	434,806	1,325,000	73,500	1,398,500	1,833,306	49,431,205	26.96
2022	435,094	-	-	-	435,094	49,431,205	113.61
	<u>\$ 16,773,558</u>	<u>\$ 11,755,000</u>	<u>\$ 10,257,135</u>	<u>\$ 22,012,135</u>	<u>\$ 38,785,693</u>		

(1) This assumes that total debt service on these bonds are paid from Non-Ad Valorem Funds (See Table 18).

(2) This reflects the budgeted funds available for the fiscal year ending September 30, 2003 from General Government Non-Ad Valorem Funds and Enterprise Funds Non-Ad Valorem Funds (See Table 16).

CITY OF NORTH MIAMI, FLORIDA

TABLE 18

DEBT SERVICE PAYABLE FROM PORTIONS OF THE NON-AD VALOREM FUNDS

<u>Year</u>	Water and Sewer Revenue Bonds <u>(1)</u>	\$9.5 Million Promissory Note <u>(2)</u>	FMLC Series 2001A Stormwater Utility Revenue Bonds <u>(3)</u>	<u>Total</u>
2003	\$ 654,233	\$ 1,000,000	\$ 449,781	\$ 2,104,014
2004	2,710,320	1,000,000	438,850	4,149,170
2005	1,969,110	699,801	437,225	3,106,136
2006	-	-	439,137	439,137
2007-2022	-	-	6,975,101	6,975,101
	<u>\$ 5,333,663</u>	<u>\$ 2,699,801</u>	<u>\$ 8,740,094</u>	<u>\$ 16,773,558</u>

(1) Includes outstanding Water and Sewer Revenue Bonds, Series 1963, Series 1964 and Series 1965.

(2) In fiscal year 2000, the City issued a promissory note in the principal amount of not to exceed \$9.5 million to finance the cost of environmental remediation at and closure of the City's Munisport site. This debt is secured by the \$1,000,000 annual grant from Miami Dade County (20 year term) and a secondary covenant to budget and appropriate non ad-valorem revenues. As of September 30, 2002, approximately \$2.7 million was outstanding on this loan.

(3) In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000. The purpose of the loan is to finance capital improvements to the City's stormwater system. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC Revenue Bonds, Series 2001A).

Source: City of North Miami, Florida Finance Department.



Keystone Point

PART IV – COMPLIANCE SECTION



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

**Report of Independent Certified Public Accountants on Compliance and on
Internal Control over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the basic financial statements of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of North Miami's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters that we have reported to management in the schedule of findings and questioned costs accompanying this report.



Honorable Mayor, City Council and City Manager
City of North Miami, Florida
Page Two

This report is intended for the information and use of the Mayor, City Council, management, and regulatory agencies and is not intended to be and should be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

Rachlin Cohen + Holtz LLP

Miami, Florida
February 28, 2003



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the basic financial statements of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting, Report of Independent Certified Public Accountants on Compliance and on Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 28, 2003, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the City of North Miami for the fiscal year ended September 30, 2002, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud and violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit, except as reported in the accompanying summary schedule of prior audit findings.
2. The City, during fiscal year 2002, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1). The Solid Waste fund has had a deficit retained earnings/net assets balance for six consecutive years. The deficit in the solid waste fund is expected to be funded through an increase in recycling and sanitation fees and a reduction in certain operating costs over the next several fiscal years.
3. Recommendations to improve the City's present financial management, accounting procedures and internal accounting controls have been addressed in the schedule of findings and questioned costs accompanying this report.

-107-



Honorable Mayor, City Council and City Manager
City of North Miami, Florida
Page Two

4. Recommendations made in the preceding annual financial audit have been implemented except as reported in the accompanying summary schedule of prior audit findings.
5. During the course of our audit, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules, regulations and contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions, which could have a material effect on the City's basic financial statements.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of the auditor.
6. The City is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The annual financial report for the year ended September 30, 2002 has been filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the audited financial statements of the same period.
8. The City was incorporated by Chapter 165, Florida Statutes. The Museum of Contemporary Art, Inc., the City's component unit, was created by the City of North Miami, Ordinance 768, adopted October 14, 1980 and was incorporated in the State of Florida on August 18, 1981.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. Discussion regarding deteriorating financial condition is addressed in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the Mayor, City Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rachlin Cohen & Helf LLP

Miami, Florida
February 28, 2003



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

**Report of Independent Certified Public Accountants on
Compliance and Internal Control over Compliance Applicable to Each
Major Federal Awards Program and State Financial Assistance Project**

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

Compliance

We have audited the basic financial statements of the City of North Miami, Florida (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Project Compliance Supplement, that are applicable to its major federal awards program and each of its state financial assistance projects for the fiscal year ended September 30, 2002. The City's major federal awards program and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards program and each of its state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal awards program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal awards program and each of its state financial assistance projects for the fiscal year ended September 30, 2002.



Honorable Mayor, City Council and City Manager
City of North Miami, Florida
Page Two

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on its major federal awards program and each of its state financial assistance projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 28, 2003

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>			
Community Development Block Grant	14.218	B-99-MC-12-0039	\$ 722,119
Community Development Block Grant	14.218	B-00-MC-12-0039	<u>1,045,527</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>1,767,646</u>
<i>U.S. Department of Justice</i>			
Office of Community Oriented Policing Services:			
Local Law Enforcement Block Grant	16.592	00LBBX2145	225,196
Local Law Enforcement Block Grant	16.592	01LBBX2493	66,051
Bulletproof Vest Partnership Grant	16.607	02009624	1,951
Bulletproof Vest Partnership Grant	16.607	00000957	6,398
Federal Equitable Sharing Program	N/A	N/A	<u>75,669</u>
Subtotal Direct Programs			<u>375,265</u>
Pass-Through Program from:			
State of Florida Department of Juvenile Justice - Juvenile Justice Grant - Project/Focus	16.549	Q2042	74,943
State of Florida Department of Juvenile Justice - Juvenile Justice Grant - Project/Focus	16.549	Q2042	8,043
State of Florida Office of the Attorney General - Victim's Intervention Program Grant	16.575	V1163	40,833
State of Florida Department of Community Affairs - Miami-Dade County Byrne Program Grant	16.579	CJ-2H-11-23-01-198	<u>16,464</u>
<i>Total U.S. Department of Justice</i>			<u>515,548</u>
<i>U.S. Department of Commerce</i>			
Economic Adjustment Assistance Program Grant	11.307	04-69-04937	<u>25,000</u>
<i>Federal Highway Administration</i>			
Pass-Through Program from:			
State of Florida Department of Transportation - Miami-Dade County Circular Transit Study Grant	20.505	AH546	<u>18,875</u>
<i>Federal Emergency Management Agency</i>			
Pass-Through Program from:			
State of Florida Department of Community Affairs - FEMA Hazard Mitigation Program	83.548	01-HM-3N-11-2315-003	<u>28</u>
<i>Total Federal Emergency Management Agency</i>			<u>28</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,327,097</u>

(Continued)

See note to the schedule of expenditures of federal awards and state financial assistance projects.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<i>Florida Department of Environmental Regulation</i>			
Victim or Witness Assistance	71.006	N/A	\$ 1,735
<i>Florida Department of Environmental Regulation</i>			
Pass-Through Program from Keep Florida Beautiful:			
Keep Florida Beautiful	N/A	KFB02	22,185
Pass-Through Miami-Dade County:			
Recycling Grant	37.011	RE01-11	125
<i>Total Florida Department of Environmental Regulation</i>			<u>22,310</u>
<i>State of Florida Department of Environmental Protection</i>			
Sewer System Improvement Grant	37.039	SP665040	247,585
Gravity Sewer System Improvement Grant	37.039	LP0213	10,245
<i>Total State of Florida Department of Environmental Protection</i>			<u>257,830</u>
<i>State of Florida Department of Transportation</i>			
Joint Participation Agreement - Traffic Separator	N/A	AK759	11,513
<i>State of Florida Housing Finance Agency</i>			
State Housing Initiatives Partnership	52.901	00-01	48,427
State Housing Initiatives Partnership	52.901	99-00	79,721
<i>Total State of Florida Housing Finance Agency</i>			<u>128,148</u>
<i>Total Expenditures of State Financial Assistance</i>			<u>\$ 421,536</u>

N/A - Not available.

See note to the schedule of expenditures of federal awards and state financial assistance projects.

CITY OF NORTH MIAMI, FLORIDA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of North Miami and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

PRIOR YEAR COMMENTS AND STATUS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2001 schedule of findings and questioned costs:

Matters addressed by the City that will not be repeated:

- Fixed Asset Accounting (Item 01-2)

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- Compensated absences (see Item 02-2)
- Physical inventory of fixed assets (see Item 02-3)

The following addresses the status of federal award findings reported in the fiscal year ended September 30, 2001 schedule of findings and questioned costs:

Matters addressed by the City that will not be repeated:

- Earmarking (Item 01-4)
- Subrecipient Agreements (Item 01-5)

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Reportable condition(s) identified not considered to be material weakness?

___ yes X none reported

Non-compliance material to financial statements noted?

___ yes X no

Federal Awards Program and State Financial Assistance Projects

Internal control over major programs:

Material weakness(es) identified?

___ yes X no

Reportable condition(s) identified not considered to be material weakness?

___ yes X none reported

Type of auditor's report issued on compliance for its major federal awards program and state financial assistance projects:

Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Chapter 10.550, Rules of the Auditor General?

___ yes X no

Identification of federal major awards program and state financial assistance projects:

Federal Program

Federal CFDA No.

Community Development Block Grant

14.218

State Projects

State CFSA No.

Sewer System Improvement Grant

37.039

State Housing Initiative Program

52.901

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	<u>\$300,000</u>
State	<u>\$300,000</u>

Auditee qualified as low risk auditee for audit of its federal awards program?

___ yes X no

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

02-01. Financial Condition

The City's unreserved general fund balance increased from approximately \$2,700,000 in 1998 to approximately \$3,900,000 at September 30, 2000, an increase of approximately 45%; however, the City's unreserved general fund balance decreased from approximately \$3,900,000 in fiscal year 2000 to approximately \$1,000,000 at September 30, 2002, a decrease of approximately \$2,900,000 or 75% from 2000 to 2002. The general fund balance represents expendable available resources for the City's general operations, including public safety, public works and culture/recreation. We noted that the City utilizes the prior year fund balance to balance the subsequent year budget.

In addition, the water and sewer utility system has incurred operating losses, including depreciation, of approximately \$1,100,000 and \$470,000 in 2002 and 2001, respectively. Solid waste services have incurred operating losses, including depreciation, of approximately \$640,000 and \$510,000 in 2002 and 2001, respectively. The stormwater utility has incurred operating losses, including depreciation, of approximately \$340,000 and \$270,000 in 2002 and 2001, respectively. These utility systems and solid waste services should be recovering the costs of operations through user charges.

Recommendation

The City should implement a policy to not utilize prior year fund balance to balance the subsequent year budget. The City should also establish a policy where, on an annual basis, an amount is reserved to "build up" the fund balance in the general fund which would create a "cushion" for future years and to cover unforeseen circumstances. The City needs to take positive action to address and monitor the conditions described above with a combination of initiatives intended to ensure the financial stability of the City. The initiatives should include seeking new or additional revenue sources and/or cost cutting measures and the City must closely monitor expenditures.

Since the intent of these utility systems and solid waste services is to recover the costs of operations, including depreciation through user charges, the City needs to consider ways to increase revenues to sufficient levels or to decrease expenses so that the utility operation can be self-supporting.

Management Response

The City recognizes the importance of maintaining adequate levels of fund balance in order to mitigate current and future risks, ensure stable tax rates, maintain creditworthiness, and facilitate long-term financial planning. As part of the fiscal year 2004 budget process, the City will address the adequacy of unreserved fund balance in the General Fund and consider adopting a formal policy on the level of unreserved fund balance that should be maintained. However, it is also important to note, that every year the City appropriates funds for contingencies as part of its adopted budget. Charges to the contingencies are made through City Manager approval, and are limited to unforeseen and necessary items. The unspent portion becomes available for the subsequent year's budget.

The water and sewer utility, solid waste services and stormwater utility have all experienced operating losses over the past two fiscal years as operating costs continue to exceed revenues. In fiscal year 2004, the City will have to consider increasing rates, finding alternatives for reducing operating costs or services, or subsidizing these operations through the general fund.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

02-2. Compensated Absences

The City has an accrued vacation and sick leave liability of approximately \$5,500,000 at September 30, 2002. This liability will continue to increase on an annual basis as employees accrue more vacation and sick time than they use. Although this liability will never be paid out at one time, the City needs to consider future funding sources for this liability. This comment was also reported last year.

Recommendation

The City should consider sources of funding for this liability. One option may be to establish reserves and build-up this reserve through designated funding sources.

Management Response

During fiscal year 2002, the City had an outside actuarial valuation performed to determine the level of the City's future annual funding for compensated absences. The report recommended an annual funding requirement of approximately \$425,000 for the governmental funds through 2011. The fiscal year 2003 budget included approximately \$425,000 towards funding this reserve.

02-3. Physical Inventory of Fixed Assets

We noted that the City has not taken a physical inventory of its fixed assets in several years. The purpose of a fixed asset inventory would ensure that only active, in-service machinery and equipment is included in the City's financial statements and would also provide safeguards from loss or misuse of assets. This comment was also reported last year.

Recommendation

We recommend that the City perform a physical inventory of all fixed assets and maintain detailed records of these assets to ensure that the assets are properly reported and properly safeguarded from loss or misuse.

Management Response

In late fiscal year 2002, the Finance Department hired a junior accountant to handle the fixed asset accounting. During fiscal year 2003, this individual has begun contacting departments and providing them with details of their existing assets as listed in our perpetual inventory system. As they return their reports, identifying the existence of the assets, the junior accountant is scheduling physical inspections. Also during 2003, the City completed a physical inventory of its entire fleet of vehicles. The vehicles represent 54% of the City's total inventory of machinery and equipment. With respect to GASB 34 implementation, it has been noted that of the discrepancies found in our physical inventories, many have been small dollar items (when the City's threshold was only \$100), and other items that are deemed fully depreciated in our books. As such, these have little or no impact on depreciation. In late 2003, the City expects to have completed its valuation of infrastructure, and will hire an outside firm to re-tag and inventory all of our machinery and equipment.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.